CIA - Freedom of Information Act / Requests



Associated Press

Prime Minister Menachem Begin of Israel greets grandchildren of Anwar el-Sadat as he
President's residence in Alexandria. At right is Mr. Sadat's daughter Jihan. Page A2.

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Column 1

Team of Ex-Green Berets Trained Terrorists for Libyan Government

The following article is based on reporting by Philip Taubman and Jeff Gerth and was written by Mr. Taubman.

Special to The New York Times

HONOLULU, Aug. 24 — Four years ago, 10 men trained by the Army Special Forces to be America's elite commando troops went to work for the Government of Libya, training terrorists.

According to participants in the operation, and Federal investigators who have since tried to reconstruct the events, the men went to Libya with the knowledge and endorsement of the United States Army. They apparently believed that they were infiltrating the Libyan Government on behalf of the Central Intelligence Agency.

Nine were retired members of the Special Forces, better known as Green Berets. The 10th, who recruited the others for the mission, was a master sergeant in the Green Berets and was on active duty. He had been recruited by a former agent for the Central Intelligence Agency.

Its Organizer Is a Fugitive

The belief of the 10 men that the mission was intended by the C.I.A. as an infiltration of the Government of Col. Muammar el-Qaddafi was apparently shared by ranking Green Beret officers.

Whether it was remains uncertain. The C.I.A. denies any involvement; many participants, and some Federal investigators, believe the mission had at least the tacit approval of the agency.

What is certain, say the Federal investigators and the participants, is that the operation was organized, financed and directed by Edwin P. Wilson, a former Central Intelligence agent. In 1976, according to the investigators, Mr. Wilson closed a business deal with Colonel Qaddafi to sell his expertise in intelligence, arms and explosives to Libya for the training of terrorists.

Mr. Wilson was indicted in 1980 by a Federal grand jury on charges of illegally exporting explosives to Libya. He is now a fugitive, believed to be living in the Libyan city of Tripoli.

Mr. Wilson's use of Green Berets, like other aspects of his relationship with Libya, has generated problems for the United States Government and raised questions about the way Federal authorities handled the matter.

The Justice Department, after investigating the case and calling many of the Green Berets before a grand jury for questioning in July 1979, produced no indictments. One reason, investigators

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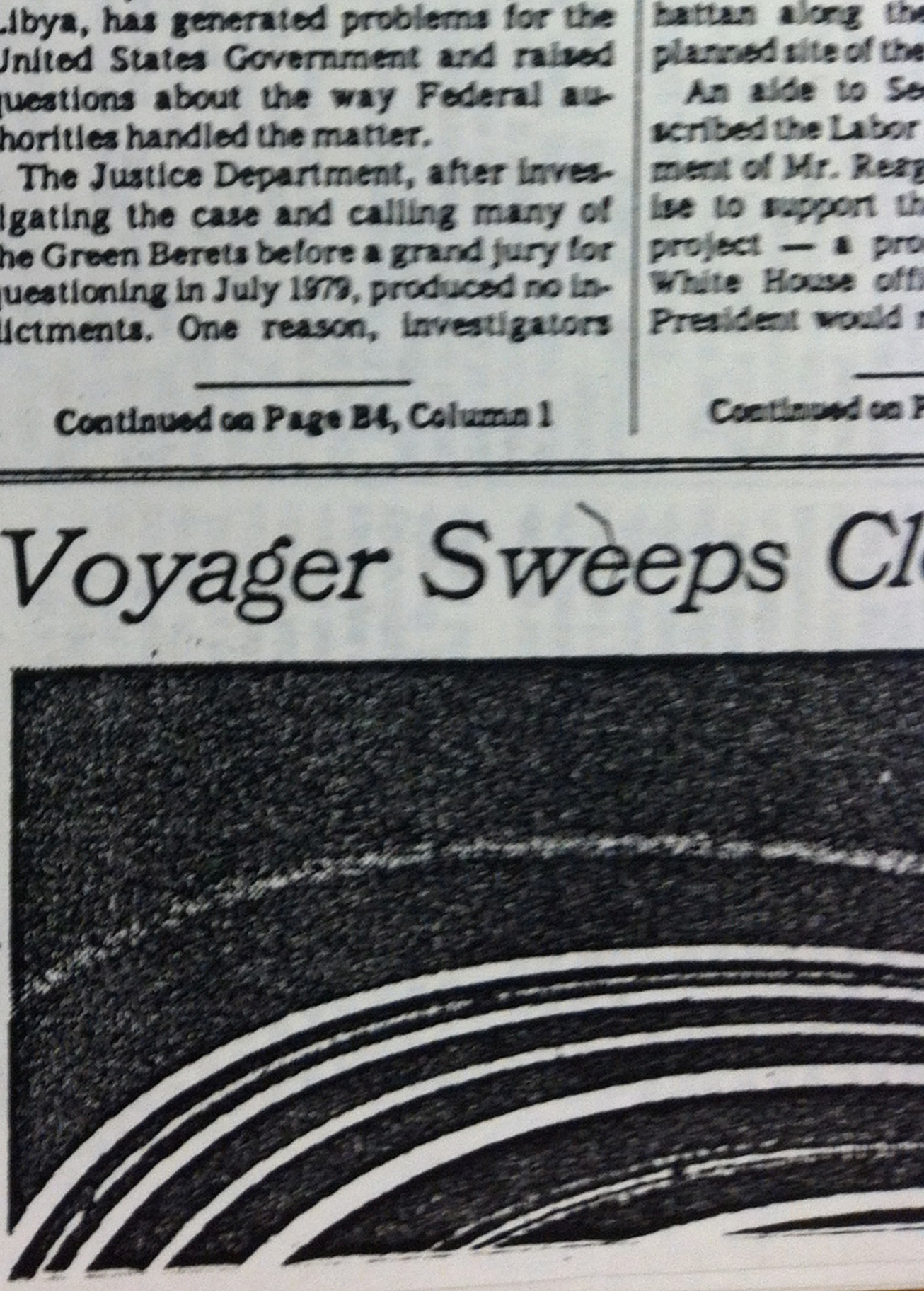
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Former Green Berets Worked for Government of Libya Training Terrorists

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Slow to Accept Responsibility

The Army and the intelligence agency, investigators said, have been slow to accept responsibility for the activity of those who were employees or former employees when the operation began in 1977.

An informal Army review of the case, begun after the Justice Department started its investigation, ended inconclusively, according to Defense Department officials.

Lieut. Col. Harold Isaacson, a spokesman for the Special Forces, with headquarters at Fort Bragg, N.C., said that the involvement of former Green Berets in the Libyan operation, like the activities of former Green Berets in general, was not the responsibility of the Special Forces. Army officials said that inquiries had determined that the one active-duty officer involved, and the superiors who endorsed his role, had apparently acted in good faith, believing the mission was sanctioned by Central Intelligence.

William J. Casey, the Director of Central Intelligence, recently ordered a review of agency policies to guard against the transfer of information and technology by former agents to such countries as the Soviet Union and Libya. The review was prompted by the case of Mr. Wilson and Frank Terpil, another former agent, in which agency connections were used in getting the explosives to Libya illegally and in the training of terrorists there. Mr. Casey said the agency's general counsel was "reviewing our contracts to develop additional protections against the kind of moonlighting and use of our contractors and technology which occurred in the Wilson-Terpil situation."

Call to Fayetteville

The involvement of the Green Berets in the Libyan training operation began on July 21, 1977, when Luke F. Thompson, then a Special Forces master sergeant, received a phone call at his home in Fayetteville, N.C., from a man who identified himself as Patry Loomis. Mr. Thompson played a key role in numerous covert operations in Vietnam and Latin America in the 1960's and 1970's, according to intelligence officials.

According to Mr. Thompson, whose account was confirmed by other participants and Federal investigators, Mr. Loomis said he was calling from Washington.

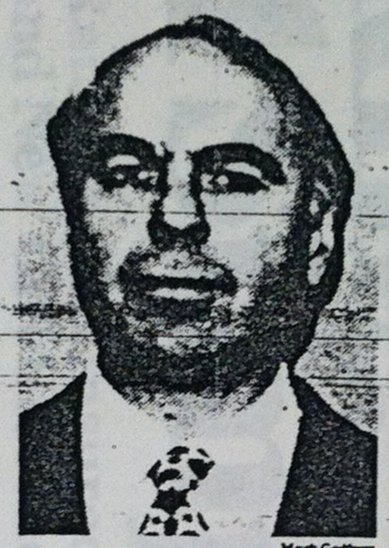
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Mr. Thompson conditionally accepted Mr. Loomis's offer. At the same time, he called military counterintelligence officials at Fort Bragg to report on the conversation. "I thought it might be something subversive, you know, maybe a foreign power trying to lure us into something," he said.

Talked All Night, He Says

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Says He Was in Deep Cover

Mr. Loomis and a Washington lawyer, the account by Mr. Thompson continued, escorted Mr. Thompson and three recently retired Green Berets to his room. After turning up the volume on the television, according to Mr. Thompson, Mr. Loomis identified himself as a Central Intelligence agent. "He said he was with the agency and had just recently come out of deep cover in Indonesia in the aircraft industry," Mr. Thompson said.

Mr. Loomis offered no details about the operation, saying that information would be provided outside the United States, but he did explain that the men would receive $4,500 a month, plus bonuses. He told them to fly to Washington several days later and he gave each man several $100 bills.

Investigators later determined that Mr. Loomis had approached Mr. Thompson shortly after being dismissed from the C.I.A. for helping Mr. Wilson obtain explosive timers for Libya.

After the meeting, Mr. Thompson said he again called the counterintelligence office at Fort Bragg. He told them of his plans to proceed to Washington and to go abroad from there. "They said to go ahead," recalled Mr. Thompson. Mr. Thompson requested, and was granted, a special leave by his commanding officer.

Reports They Went to Zurich

In Washington, on July 25, Mr. Thompson and three former Green Berets were given travel documents, $1,000 in cash, airplane tickets to Zurich via New York, and a description of a man who would meet them at the Zurich airport. "We were told to stay in the international zone and not to go through customs in Zurich," Mr. Thompson said.

He added: "We had our war bags packed in a 400-pound locker, everything we figured we might need for a direct action mission."

The man waiting in Zurich was identified as Mr. Wilson. After introductions, Mr. Thompson ran through a list of questions he had prepared. "As leader of the group, I wanted answers to several key questions," he said. "I wanted to know who exactly we were working for, what the terms of our contract would be, what arrangements had been made for health care, and what escape and evasion plans had been prepared."

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No contract was necessary, Mr. Wilson said, because neither party was likely to walk away from the project. "If I welsh, you'd kill me," Mr. Thompson said that Mr. Wilson had asserted, "and if you welsh, I'll kill you."

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From Zurich, the four men flew to Tripoli, Mr. Thompson said, where they were greeted by a representative from the Delex International Corporation, a Virginia company owned by Mr. Wilson. They were escorted out of the airport without a customs check, the account continues, and taken to a military compound where they met the chief of Libyan intelligence, Abdul Senussi.

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They See Explosives Laboratory

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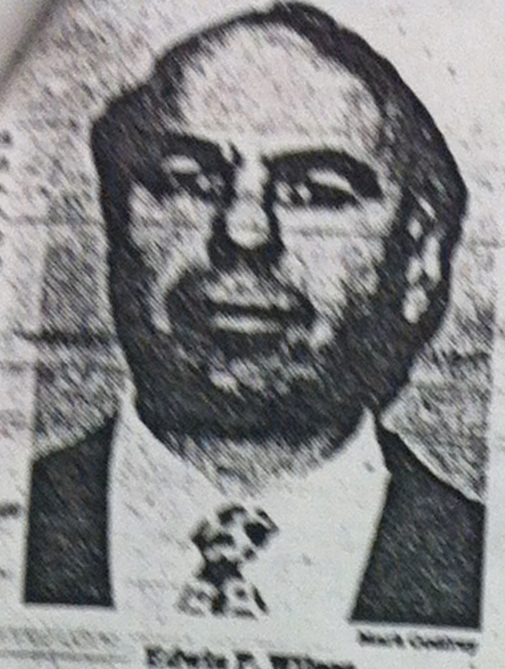
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Mr. Thompson eventually severed his connections to Mr. Wilson, but a half-dozen other retired Green Berets went to Libya to train terrorists after his return to Fort Bragg. It is not clear what they thought the operation was supposed to be or whom they thought was sponsoring it. Federal investigators believe that several may still be in Libya working for Mr. Wilson.

A major unresolved question is how the counterintelligence officers at Fort Bragg decided that the mission was legitimate when Mr. Thompson first spoke to them.

Several Federal investigators said they believed that Mr. Wilson might have secured unofficial approval from friends who held senior positions in the clandestine services of Central Intelligence. In return, according to this unconfirmed theory, the agency would benefit from intelligence collected by the Americans working in Libya.

"Whatever happened, it's a sorry episode," one senior Justice Department official said. Mr. Thompson, for his part, says he lives on "full alert," concerned that death threats he has received since he left Libya may become a reality.

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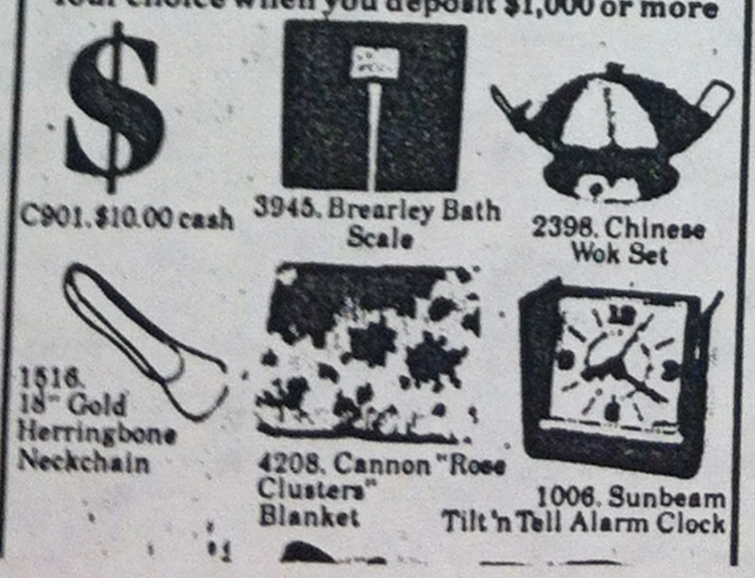
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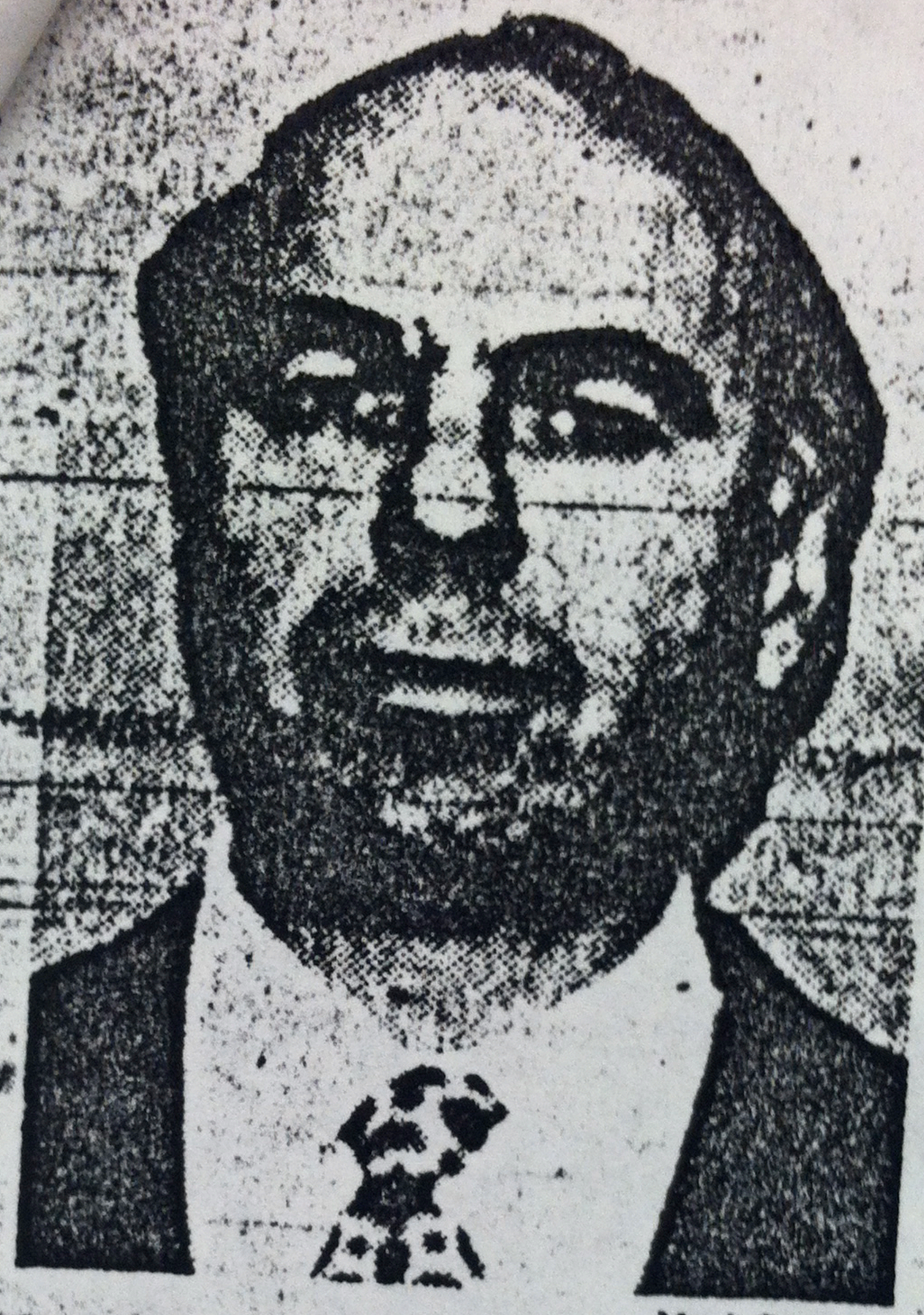
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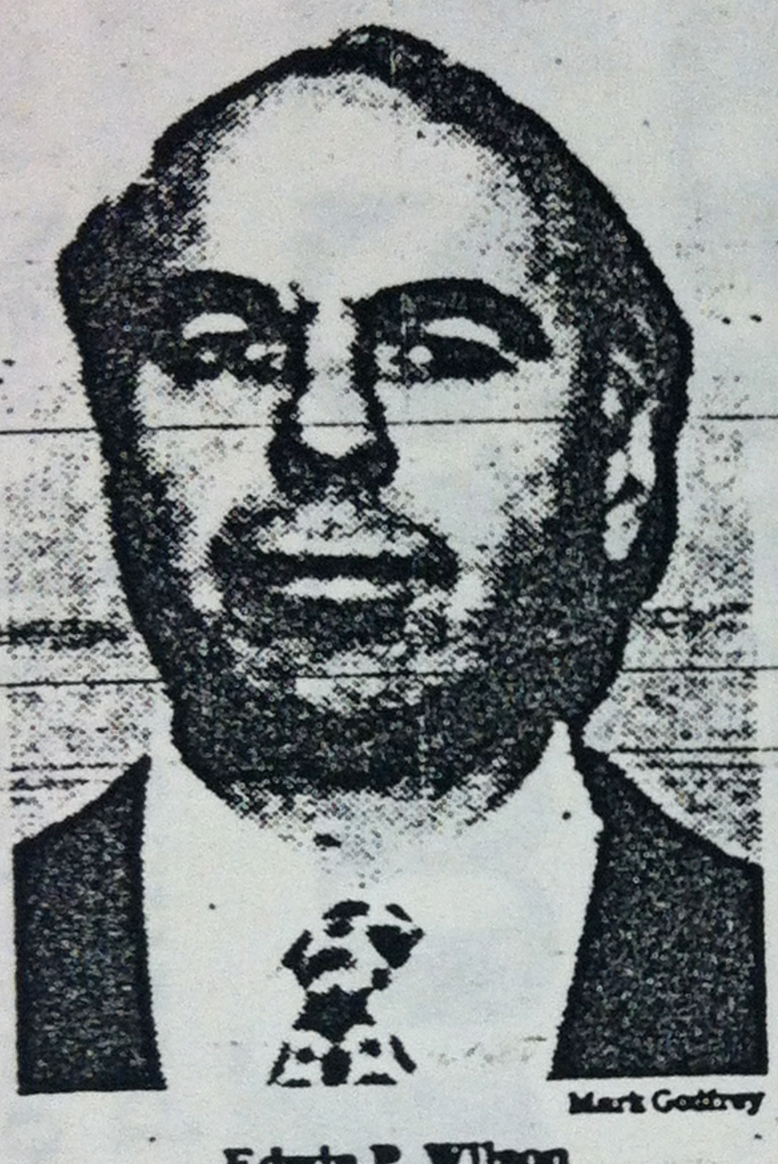
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He decided he must return to the United States and tell the Special Forces about his misgivings.

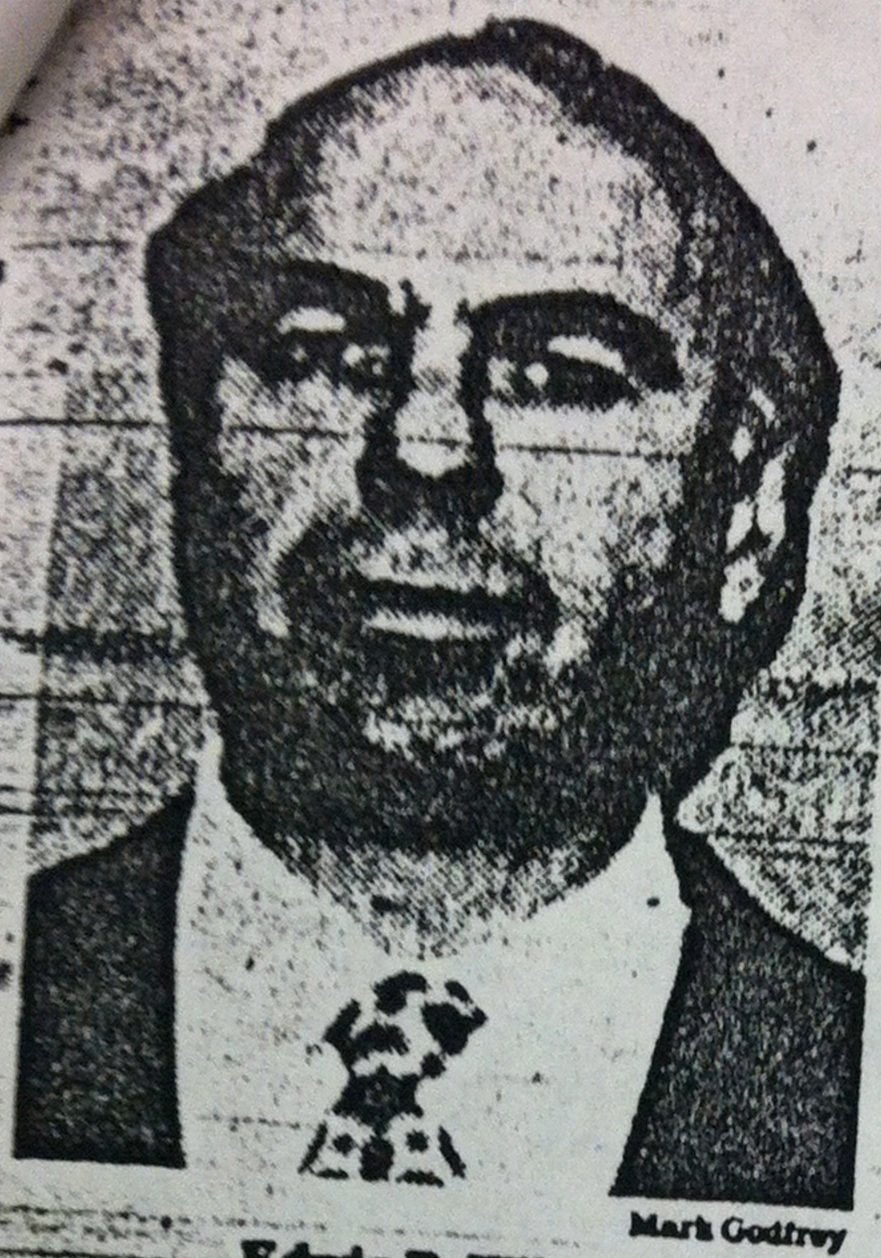
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Requests for Supplies

While he was doing so, he said, several requests arrived from Tripoli for supplies. Mr. Thompson told the military intelligence authorities, he said, and was instructed to ship the requested goods, which included training manuals and combat boots. The materials went during September and October.

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Mark Godfrey

Edwin P. Wilson

recruiting. They picked the Sheraton Motor Inn in Fayetteville. The time was to be the following day, July 23.

Mr. Thompson notified the counterintelligence officiers. "They told me to keep cooperating," he said.

On the day of the meeting, the counterintelligence officers called Mr. Thompson. He recalled: "They said: 'We've checked this to the top and it's legal and aboveboard. You can pursue it as you desire.'" Satisfied that he was dealing with a Government operation, he said, he went to the meeting.

Says He Was in Deep Cover

Mr. Loomis and a Washington lawyer, the account by Mr. Thompson continued, escorted Mr. Thompson and three recently retired Green Berets to his room. After turning up the volume on the television, according to Mr. Thompson, Mr. Loomis identified himself as a Central Intelligence agent. "He said he was with the agency and had just recently come out of deep cover in Indonesia in the aircraft industry," Mr. Thompson said.

Mr. Loomis offered no details about the operation, saying that information would be provided outside the United States, but he did explain that the men would receive $4,500 a month, plus bonuses. He told them to fly to Washington several days later and he gave each man several $100 bills.

Investigators later determined that Mr. Loomis had approached Mr. Thompson shortly after being dismissed from the C.I.A. for helping Mr. Wilson obtain explosive timers for Libya.

After the meeting, Mr. Thompson said he again called the counterintelligence office at Fort Bragg. He told them of his plans to proceed to Washington and to go abroad from there. "They said to go ahead," recalled Mr. Thompson. Mr. Thompson requested, and was granted, a special leave by his commanding officer.

Reports They Went to Zurich

In Washington, on July 25, Mr. Thompson and three former Green Berets were given travel documents, $1,000 in cash, airplane tickets to Zurich via New York, and a description of a man who would meet them at the Zurich airport. "We were told to stay in the international zone and not to go through customs in Zurich," Mr. Thompson said.

He added: "We had our war bags packed in a 400-pound locker, everything we figured we might need for a direct action mission."

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Mr. Thompson eventually severed his connections to Mr. Wilson, but a half-dozen other retired Green Berets went to Libya to train terrorists after his return to Fort Bragg. It is not clear what they thought the operation was supposed to be or whom they thought was sponsoring it. Federal investigators believe that several may still be in Libya working for Mr. Wilson.

A major unresolved question is how the counterintelligence officers at Fort Bragg decided that the mission was legitimate when Mr. Thompson first spoke to them.

Several Federal investigators said they believed that Mr. Wilson might have secured unofficial approval from friends who held senior positions in the clandestine services of Central Intelligence. In return, according to this unconfirmed theory, the agency would benefit from intelligence collected by the Americans working in Libya.

"Whatever happened, it's a sorry episode," one senior Justice Department official said. Mr. Thompson, for his part, says he lives on "full alert," concerned that death threats he has received since he left Libya may become a reality.

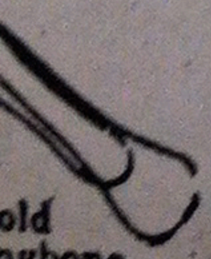
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Crash on Drawbridge Leaves L.I. Woman Dangling Over Water

NEW YORK, SUNDAY, AUGUST 30, 1981

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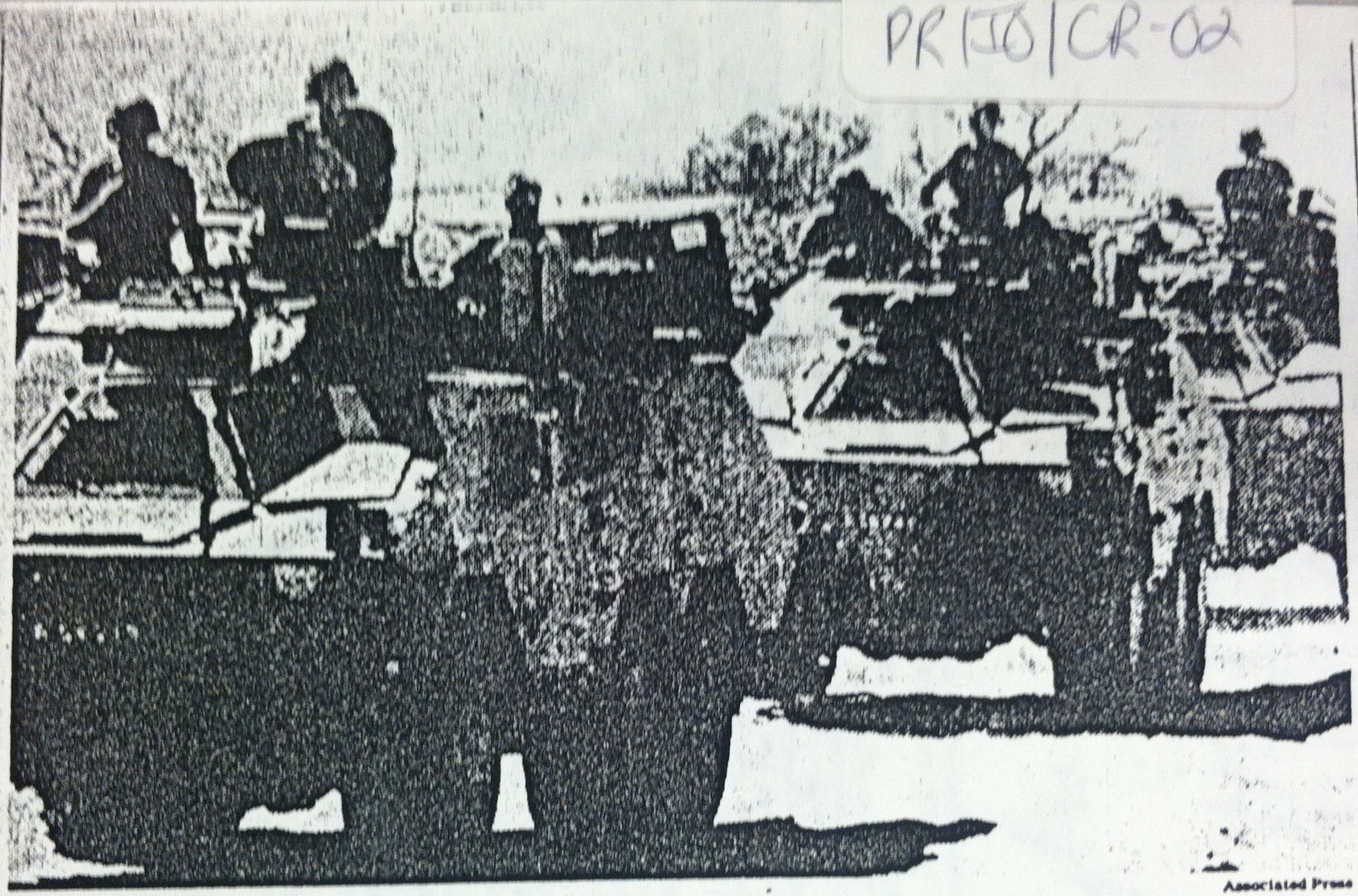
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Associated Press

South African armored personnel carriers heading back to the border through Xangongo, Angola, after raid

20-Ton Explosives Shipment To Libya Linked to Ex-Agent

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The following article is based on reporting by Philip Taubman and Jeff Gerth and was written by Mr. Taubman.

Special to The New York Times

WASHINGTON, Aug. 29 — Twenty tons of plastic explosives were secretly and illegally shipped from the United States to Libya in 1977 for use in the manufacture of bombs for terrorism, in a deal organized by a former agent for the Central Intelligence Agency, according to Federal investigators and participants in the transaction.

These sources said that the deal, which involved financial transactions on three continents and the manufacture of the explosives in Canada and in four states, was consummated when 40,000 pounds of C-4 explosive compound were flown from Houston Intercontinental Airport to Libya in October 1977.

The Federal sources described the shipment as one of the largest illegal movements of explosives ever investigated by the Government. C-4 is a powerful plastic explosive frequently used by the military for demolition work.

The former intelligence agent who made the arrangement, Federal investigators and participants said, was Edwin P. Wilson. In 1976, according to Federal authorities, Mr. Wilson closed a deal with the Libyan leader, Col. Muammar el-Qaddafi, to use his expertise in intelligence, arms and explosives to train terrorists in Libya.

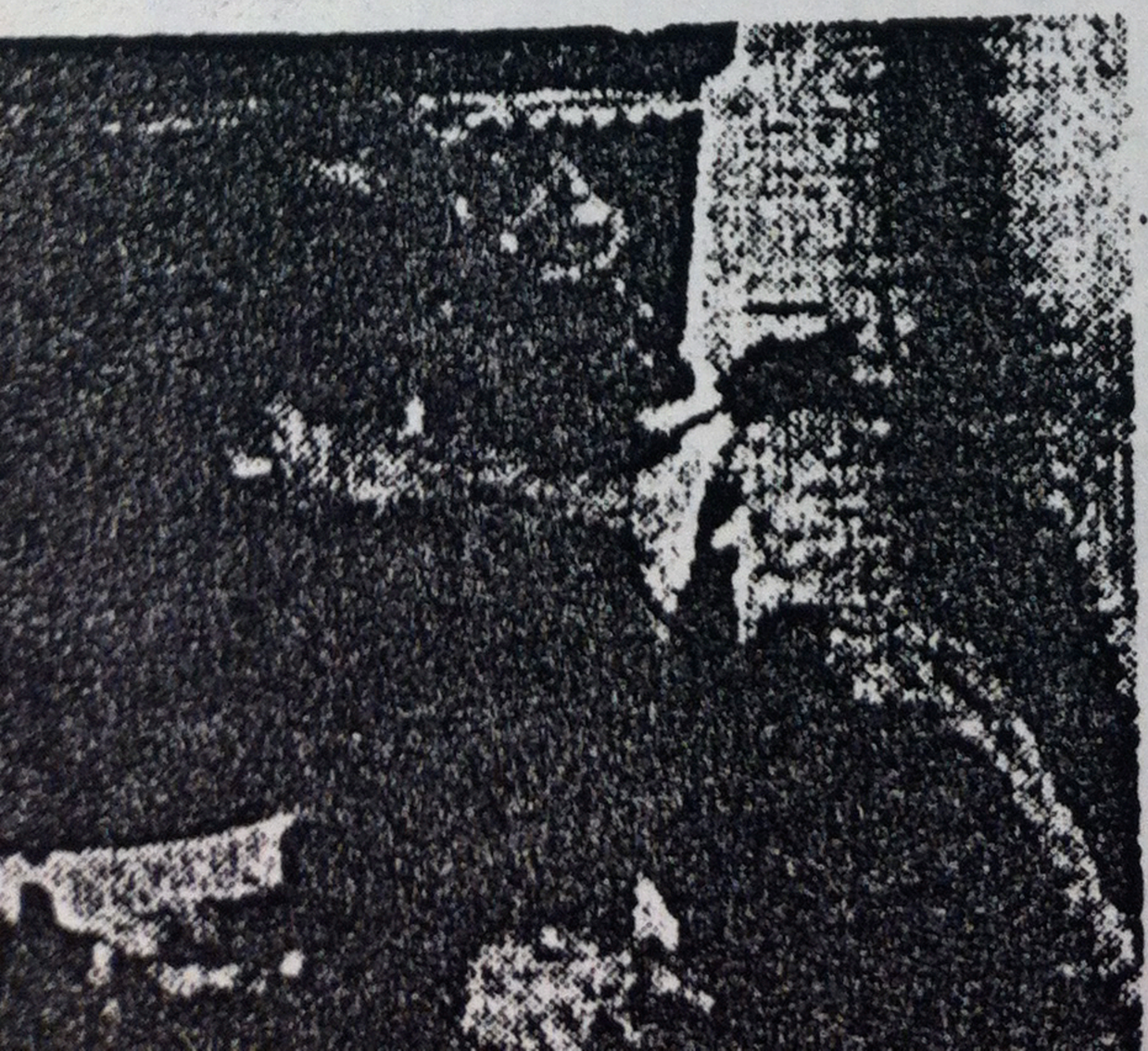
Explosives Made Into Ashtrays

Mr. Wilson was indicted in 1980 by a Federal grand jury on charges of illegally exporting explosives to Libya in connection with earlier, smaller shipments separate from the 20-ton transaction. Mr. Wilson is now a fugitive, believed to be living in Tripoli, the Libyan capital.

The 20-ton shipment has been under investigation by the Justice and Treasury Departments for more than a year, and officials said that indictments are expected to be handed up by a grand jury here in September.

Arrangements for the shipment, Federal investigators said, began in the summer of 1977. By that time, investiga-

Continued on Page 28, Column 1



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The New York Times

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Weather: Chance of occasional light rain today, tonight. Cloudy tomorrow. Temperature range: today 67-79; yesterday 70-80. Details, page 41.

...ew York Times NEW YORK, SUNDAY, AUGUST 30, 1981

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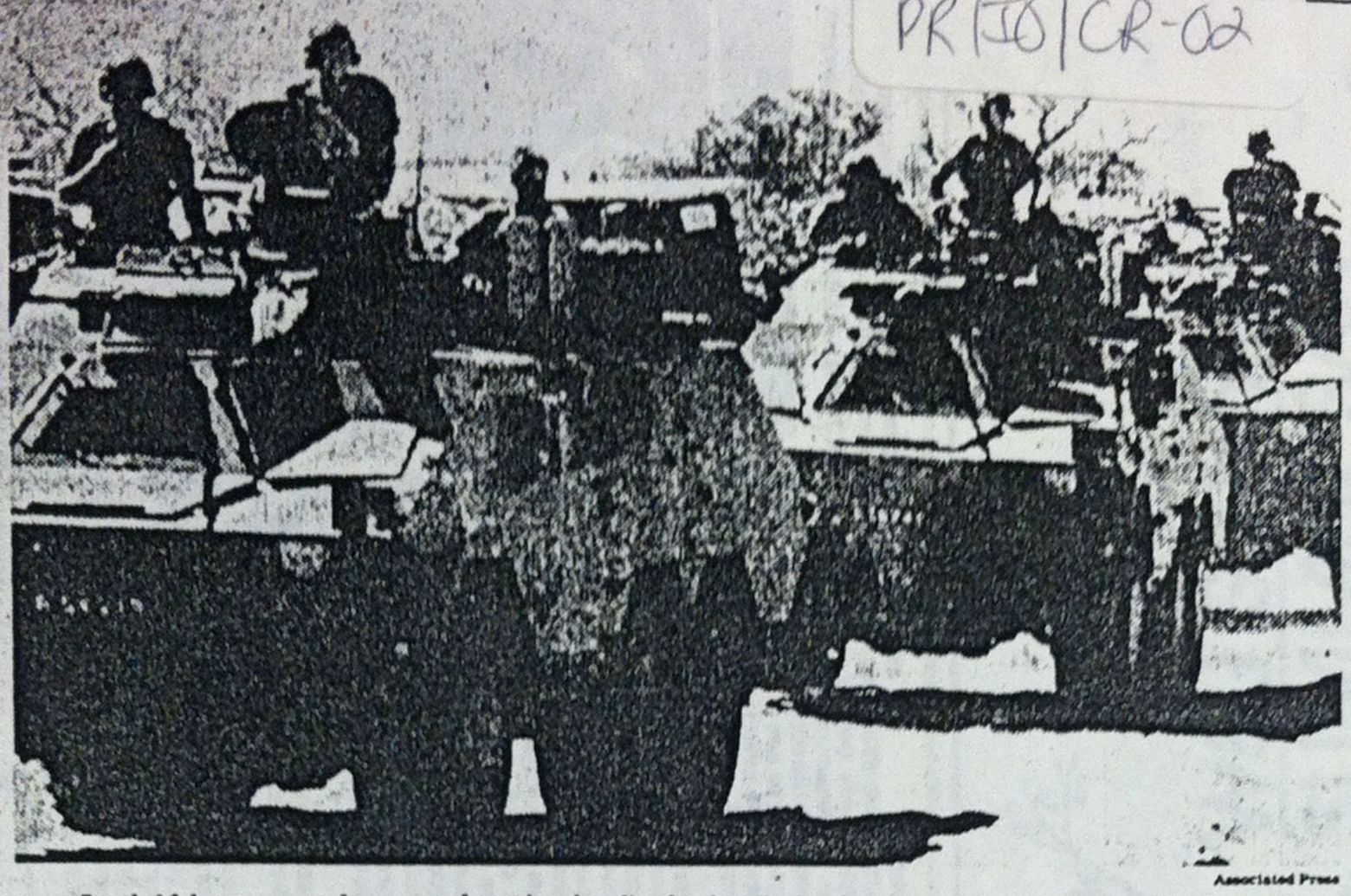
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Associated Press

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OFFICIAL SAYS U.S. WILL BE NEUTRAL ON SOUTH AFRICA

CROCKER OUTLINES POLICY

Asserts Washington Opposes Apartheid but Will Not Try to Undermine Pretoria

By BERNARD GWERTZMAN
Special to The New York Times

WASHINGTON, Aug. 29 — The Reagan Administration said today that despite its opposition to South Africa's racial separation policies, it would not take sides between blacks and whites in that country or try to undermine the South African Government "in order to curry favor elsewhere."

In the Administration's most comprehensive statement on its southern Afri-

Excerpts from speech are on page 18.

ca policies, Chester A. Crocker, Assistant Secretary of State for African Affairs, said the United States wanted to remain neutral between South Africa and black countries to be in a better position to pursue diplomatic solutions and to protect Western strategic and economic interests in the region.

"We cannot and will not permit our hand to be forced to align ourselves with one side or another in these disputes," Mr. Crocker said to an American Legion meeting in Honolulu. The text was released in advance by the State Department. Officials said it had been cleared at the highest levels of the Administration.

'Engage Constructively'

"Our task, together with our key allies, is to maintain communication with all parties — something we in the West are uniquely able to do — and to pursue our growing interests throughout the region," he said. "Only if we engage constructively in southern Africa as a whole can we play our proper role in the search for negotiated solutions, peaceful change and expanding economic progress."

"In South Africa, the region's dominant country," Mr. Crocker said, "it is not our task to choose between black and white. In this rich land of talented and diverse peoples, important Western economic, strategic, moral and political interests are at stake. We must avoid action that aggravates the awesome challenges facing South Africans of all races."

The most immediate political prob-

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Continued on Page 28, Column 1

South Africans Say 240 Angolans Died In 5-Day Incursion

By JOSEPH LELYVELD
Special to The New York Times

JOHANNESBURG, Aug. 29 — South Africa said today that it had destroyed Angolan radar installations and killed at least 240 Angolan Government troops in its assaults this week in southern Angola.

Antiaircraft installations protecting the radar units were also knocked out, according to South African officers in the area. They declined to tell four foreign journalists who were taken yesterday into southern Angola whether the equipment destroyed had included Soviet-made SAM-3 and SAM-8 missiles that were reported to have been recently installed in southern Angola.

Military Headquarters Destroyed

The journalists, who were chosen by the Defense Ministry to represent the foreign press corps here, were flown to the small town of Xangongo, about 80 miles north of the border that separates Angola from the disputed territory of South-West Africa, also known as Namibia, which South Africa administers. The local Angolan military headquarters on the town's outskirts had been destroyed by heavy air bombardment, the journalists said.

The Angolan news agency, Angop, said yesterday that Xangongo itself had

Continued on Page 17, Column 1



Pro Football's Ken Stabler Is Linked to a Gambler

The following article is based on reporting by John M. Crewdson and Wendell Rawls Jr. and was written by Mr. Crewdson.

Special to The New York Times

OAKLAND, Aug. 29 — Despite repeated warnings from executives of the Oakland Raiders, Ken Stabler, one of the most successful quarterbacks in professional football, persisted in his association with a well-known New Jersey East Coast law enforcement officials specializing in organized crime identified Mr. Dudich as being associated with the DeCavalcante family.

Law-enforcement officials emphasized that such associations were by themselves not illegal and that Mr. Stabler had not been accused of any crime.

But they could be in violation of the National Football League constitution, commissioner after a hearing. The league annually warns its players about avoiding gamblers and has said it fears that such associations might encourage attempts by bookmakers and other gamblers to bribe players to influence the outcome of games.

Attempts to reach Mr. Stabler for comment failed. Spokesmen for the Oilers said they would not report his whereabouts. His lawyer, Henry Pitts, said he did not know where Mr. Stabler

Ex-C.I.A. Agent Is Linked to 20-Ton Explosives Shipm

Continued From Page 1

tors said, Mr. Wilson had established facilities outside Tripoli and in Benghazi and Tobruk for the manufacture of bombs for terrorist acts. These devices, made out of the plastic explosive compound, were shaped as ashtrays, attaché cases, coat hangers, rocks and other ostensibly harmless items.

To create the devices and to instruct Libyans in their use, Mr. Wilson hired and brought to Libya a small group of American explosives experts, including several former Army ordnance officers, investigators said. The group also included one former Government ordnance expert who had worked at the White House, on detail to the Secret Service, to handle bomb threats against President Carter. He later became a Government witness.

A partial description of this operation was included in the 1980 indictment of Mr. Wilson and Frank E. Terpil, another former C.I.A. operative who was also charged with illegally shipping explosives to Libya.

Company on Coast Involved

In July 1977, shortly after the accidental detonation of one device killed three Libyans and wounded two Americans, one seriously, Mr. Wilson initiated discussions with a California explosives manufacturer about obtaining "a shipload" of the C-4 compound, Federal investigators said.

The manufacturer, Jerome S. Brower, was indicted along with Mr. Wilson and Mr. Terpil last year for his involvement in earlier, smaller shipments of explosives to Libya. Mr. Brower, president of J. S. Brower and Associates, an explosives manufacturing and distribution firm in Pomona, Calif., pleaded guilty earlier this year to one count of illegally shipping explosives.

To finance purchase of the C-4 explosives, Mr. Wilson arranged for the transfer of about $250,000 from the United Bank of Switzerland to an associate of Mr. Brower's, according to Federal investigators.

Inspectors of the United States Customs Service subsequently found the associate entering the United States from Canada with $55,000 in cash that he had not declared. The money, which was contained in his shaving kit, Federal investigators said, was taxed but not confiscated, and, participants in the deal said, the arrangements for manufacture of the C-4 proceeded in secret.

Order Reportedly Spread Out

Because of the large quantity of C-4 needed by Mr. Wilson for the mass production of explosive devices in Libya, his associates in the United States had to parcel out orders to manufacturers in California, Louisiana, New York, Texas and Canada, Federal investigators said.

The C-4 manufactured in Canada, New York and California was transported by truck to J. S. Brower and Associates in Pomona, where it was re-

for the shipment of beef from South America to the United States.

On Oct. 1, 1977, four of the men coordinating the shipment flew from Houston to Miami aboard a Continental Airlines flight to sign a contract with JFC. The contract called for payment of half a total cost of $70,000 to $80,000 before the DC-8 left Miami and payment of the remainder before it took off from Houston, the participants said.

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The Federal Government first learned about the illegal shipment more than two years later while questioning participants involved in the smaller shipments, investigators said.

In the ensuing investigation, prosecutors granted immunity to two key participants in the shipment, according to a source familiar with the case. Mr. Brower was one, given immunity after agreeing to plead guilty to the earlier charges. The other person, a former official of Aroundworld, has provided the Government with details about the operation, investigators said.

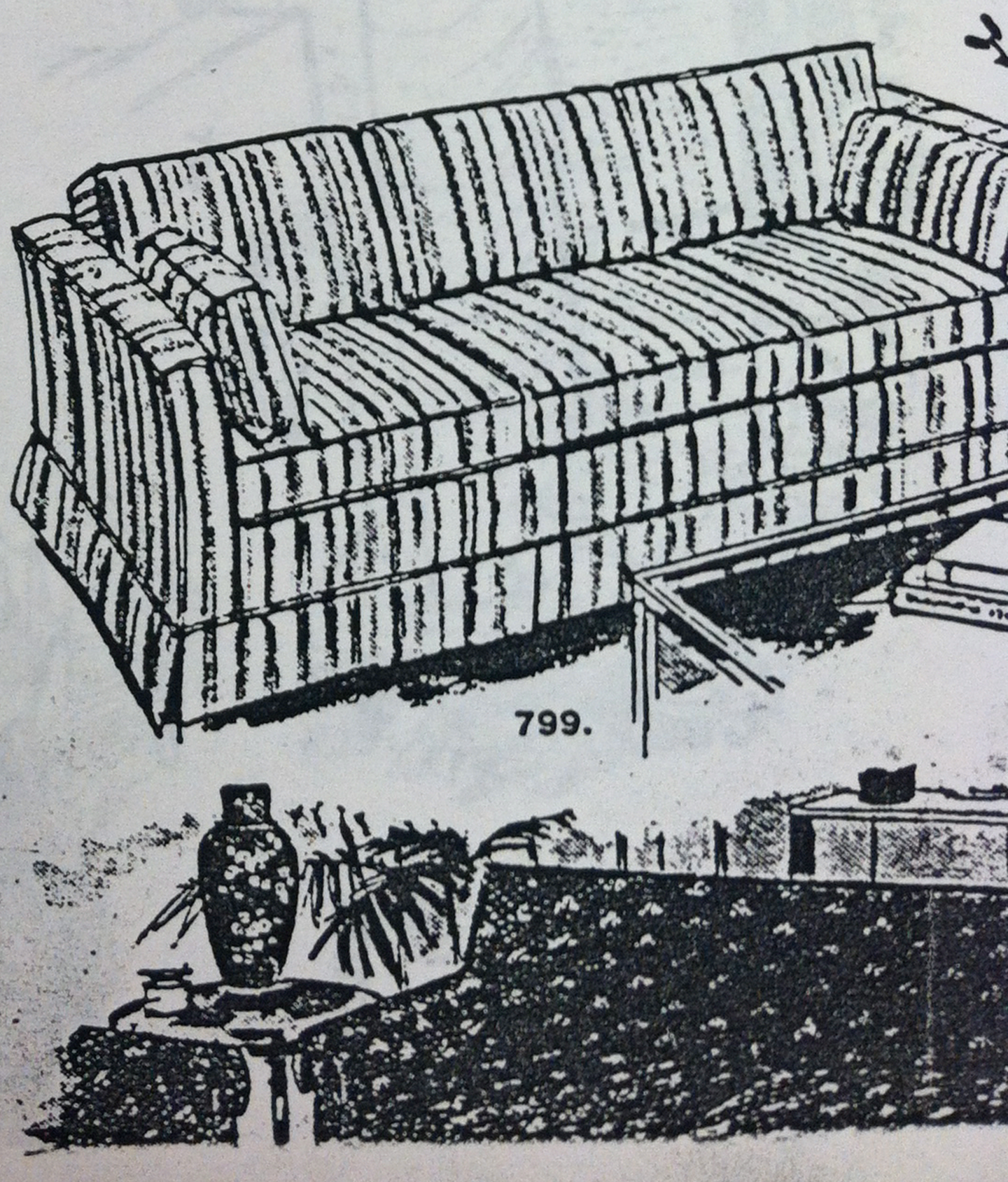
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Mr. Schlachter, who is believed to be living in Africa, was a business associate of Mr. Wilson's in Washington. The 1980 indictment of Messrs. Wilson, Terpil and Brower stated, "To oversee and manage the terrorist training project and to represent their interests in Libya, the conspirators sent Douglas M. Schlacter to Libya for periods of time between August of 1976 and January of 1978."

Since last February the company has also been the target of an unrelated investigation by the Federal Maritime Commission, which licenses ocean freight forwarders. According to public documents on file at the commission, company officers were charged with failing to report changes in management, permitting its license to be used by an unauthorized individual and incorrect invoicing of shippers for insurance and other costs. Company officials have denied the charges, which are pending before an administrative law judge.

Stuart James, a trial attorney at the commission who is handling the case, said in a telephone interview that he was not aware that the Justice Department was investigating former Aroundworld officers. Mr. James said he was not aware that Edwin P. Wilson had anything to do with the company.



Associated Press

CARTER CONTINUES CHINA TOUR: Former President Jimmy Carter drew a crowd of curious onlookers as he bought pomegranates at a roadside stand yesterday in Shaanxi Province. Mr. Carter is on a 10-day private visit.



W&J Sloane's
SUMMER SALE

Ex-C.I.A. Agent Is Linked to 20-Ton Explosives Shipment to Libya

Continued From Page 1

tors said, Mr. Wilson had established facilities outside Tripoli and in Benghazi and Tobruk for the manufacture of bombs for terrorist acts. These devices, made out of the plastic explosive compound, were shaped as ashtrays, attaché cases, coat hangers, rocks and other ostensibly harmless items.

To create the devices and to instruct Libyans in their use, Mr. Wilson hired and brought to Libya a small group of American explosives experts, including several former Army ordnance officers, investigators said. The group also included one former Government ordnance expert who had worked at the White House, on detail to the Secret Service, to handle bomb threats against President Carter. He later became a Government witness.

A partial description of this operation was included in the 1980 indictment of Mr. Wilson and Frank E. Terpil, another former C.I.A. operative who was also charged with illegally shipping explosives to Libya.

Company on Coast Involved

In July 1977, shortly after the accidental detonation of one device killed three Libyans and wounded two Americans, one seriously, Mr. Wilson initiated discussions with a California explosives manufacturer about obtaining "a shipload" of the C-4 compound, Federal investigators said.

The manufacturer, Jerome S. Brower, was indicted along with Mr. Wilson and Mr. Terpil last year for his involvement in earlier, smaller shipments of explosives to Libya. Mr. Brower, president of J. S. Brower and Associates, an explosives manufacturing and distribution firm in Pomona, Calif., pleaded guilty earlier this year to one count of illegally shipping explosives.

To finance purchase of the C-4 explosives, Mr. Wilson arranged for the transfer of about $250,000 from the United Bank of Switzerland to an associate of Mr. Brower's, according to Federal investigators.

Inspectors of the United States Customs Service subsequently found the associate entering the United States from Canada with $55,000 in cash that he had not declared. The money, which was contained in his shaving kit, Federal investigators said, was taxed but not confiscated, and, participants in the deal said, the arrangements for manufacture of the C-4 proceeded in secret.

Order Reportedly Spread Out

Because of the large quantity of C-4 needed by Mr. Wilson for the mass production of explosive devices in Libya, his associates in the United States had to parcel out orders to manufacturers in California, Louisiana, New York, Texas and Canada, Federal investigators said.

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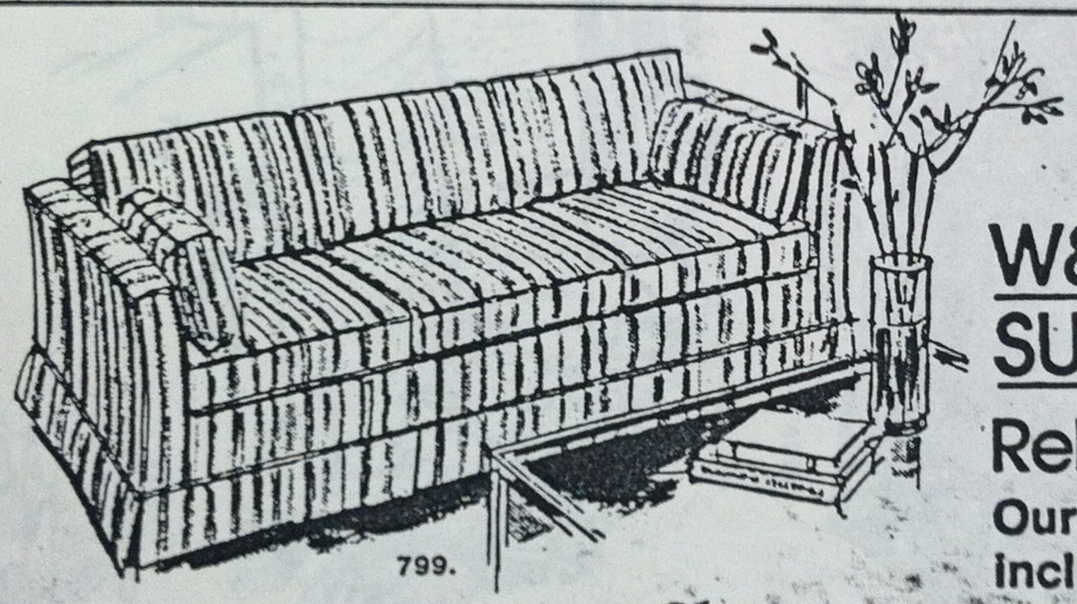
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Our Stearns & Foster sleep sofas include the Correct Comfort® innerspring mattress.

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According to two participants in the operation, who asked not to be named, Mr. Wilson turned to a Houston ocean and air freight shipping company he had helped establish for the operation's final and most sensitive stages: the consolidation and packing of the C-4 and shipment of the explosives to Libya.

At the time the company, Aroundworld Shipping and Chartering Inc., had offices in Washington and Houston. The Washington office was at 1425 K Street N.W. in the same suite that housed several other companies operated by Mr. Wilson, according to District of Columbia records.

Mr. Wilson, the two former associates said, did not want to use the company directly. They said he feared that it would be shut down by Federal agencies and possibly charged with criminal activity if the operation was discovered and that he would lose a key link in the chain of American corporations he had helped establish to handle both legitimate and illegitimate business.

Cargo Company 'Didn't Know'

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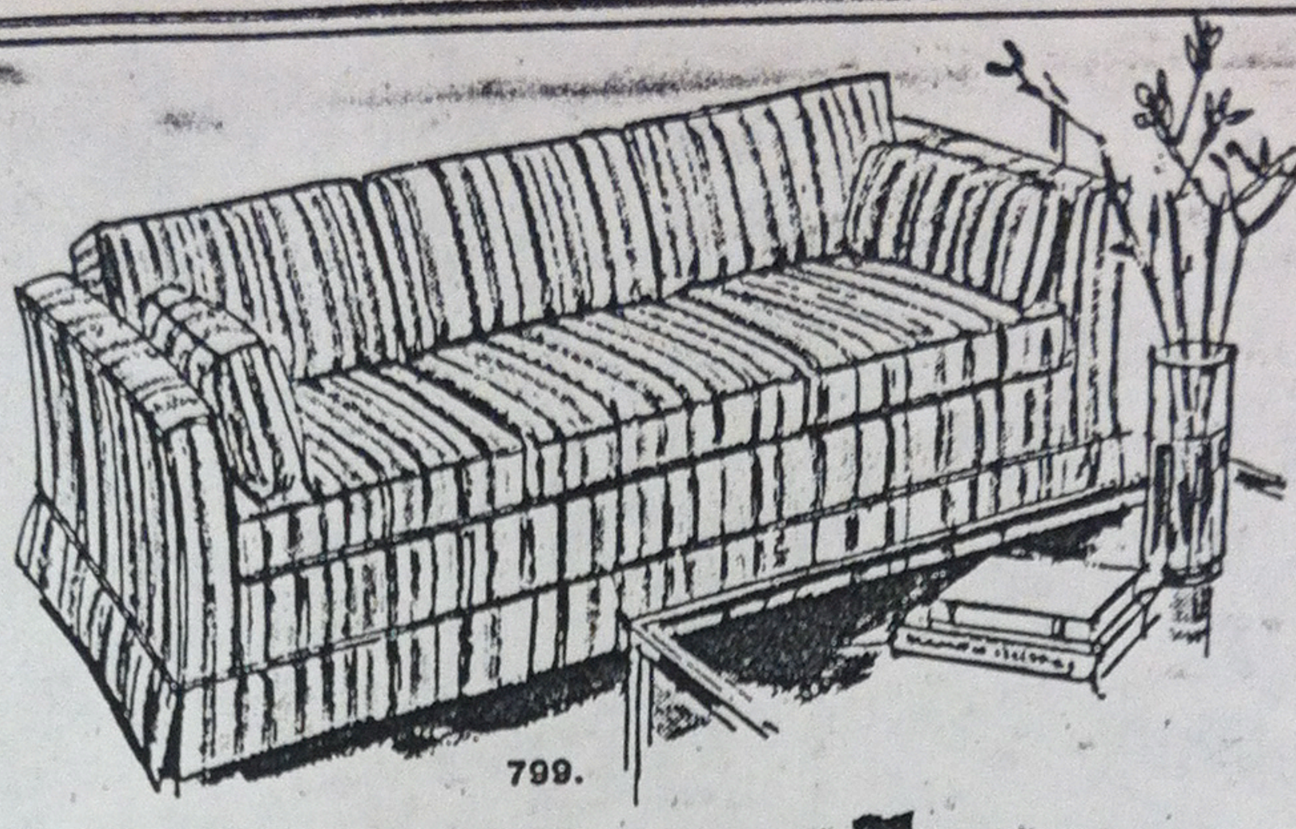
These employees turned to an air freight forwarder in Houston to make specific arrangements, the participants said. The air freight forwarder, in turn, contracted with WITS Air Freight company for storage space near Houston Intercontinental Airport. "WITS didn't know what they were storing," said one man involved in the shipment.

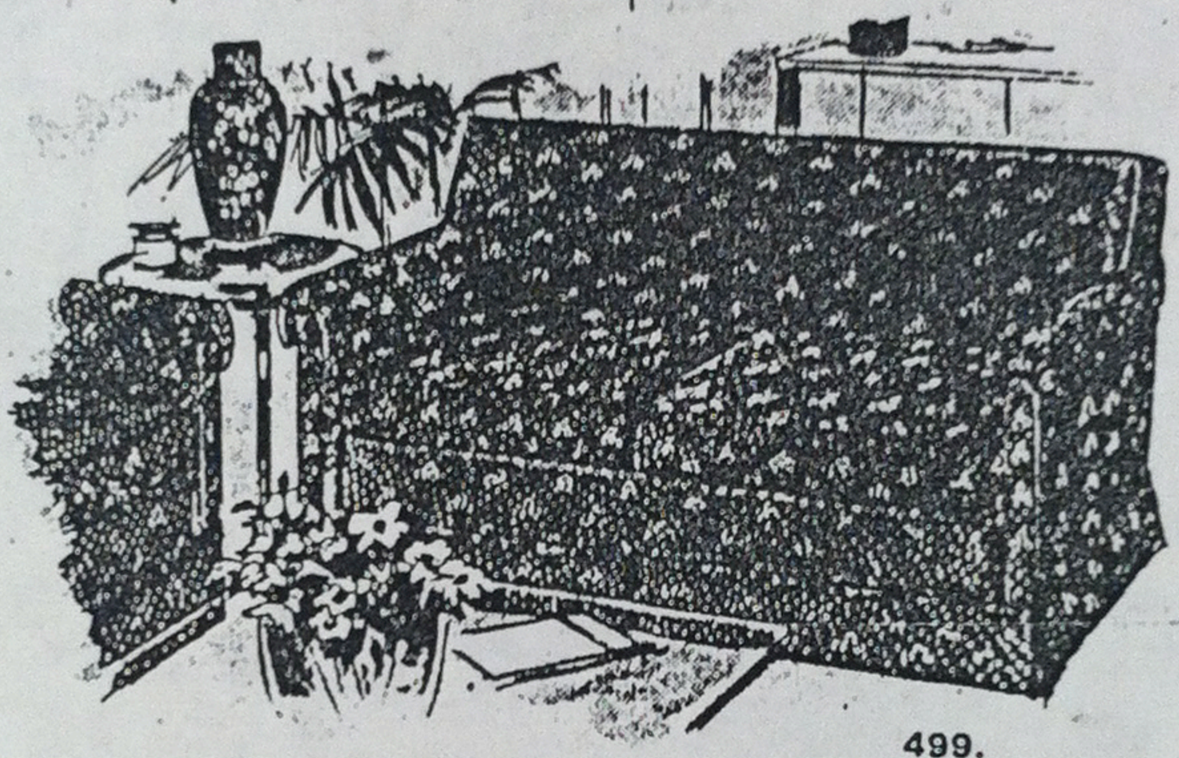
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Jobless Benefit Requirements Stiffened for Recent Veterans

Veterans discharged from the armed forces on or after July 1, 1981, will not be eligible for unemployment insurance compensation while seeking civilian employment if they resigned or were offered an opportunity to re-enlist and did not accept, the New York State Department of Labor announced yesterday.

The new policy, the department said, resulted from a change in Federal law


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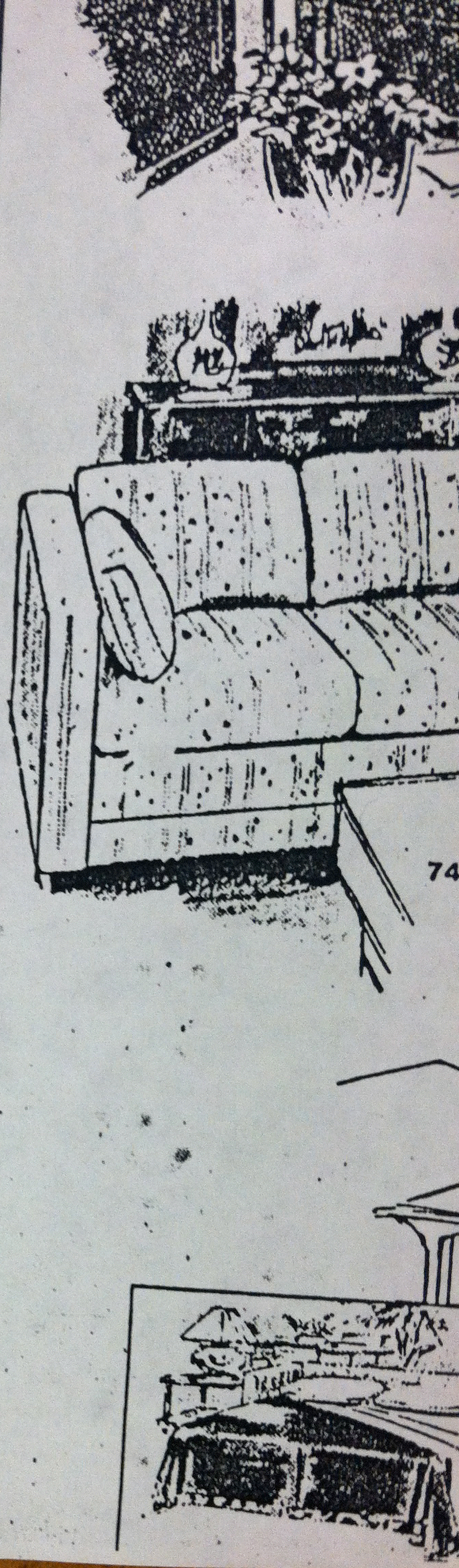
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PRIO/CR-03

The New York Times

NEW YORK, SUNDAY, SEPTEMBER 6, 1981

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York Times

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Column 1



President Anwar el-Sadat of Egypt displaying a copy of Al Dawa, the banned publication of the Moslem Brotherhood, during a speech yesterday in Cairo. Mr. Sadat denounced the fundamentalist Islamic organization.

Associated Press

Ex-C.I.A. Agent's Associates Run Arms-Export Concerns

The following article is based on reporting by Philip Taubman and Jeff Gerth and was written by Mr. Taubman.

Special to The New York Times

WASHINGTON, Sept. 5 — A series of interlocking businesses here that transfer advanced technology and sensitive military equipment to foreign governments, especially in the Middle East, are operated by a group of men once closely associated at the Central Intelligence Agency with Edwin P. Wilson, a former C.I.A. agent who has been charged with illegally shipping explosives to Libya.

One of the companies, A.P.I. Distributors Inc., a petroleum services corporation that has employed at least four former C.I.A. agents, was established by Mr. Wilson in 1978 for Thomas G. Clines, who was an active senior agency official at the time, according to Mr. Clines. Another Clines company, Mr. Clines said, was started with a loan arranged in Switzerland that involved Mr. Wilson's Geneva attorney, and Mr. Clines said he could not rule out the possibility that Mr. Wilson was involved in the loan.

Another of the businesses, the Egyptian American Transport and Services Corporation, known as Eatsco, has an exclusive contract with the Egyptian Government to handle the shipment to Egypt of billions of dollars in military equipment bought in the United States. Mr. Clines said he owned 49 percent of Eatsco.

Federal investigators say there is additional evidence linking Mr. Wilson to some of the companies. For example, notations about Eatsco and an affiliate appear in handwritten notes made by a man charged with attempting to murder a Libyan dissident last year in Fort Collins, Colo., Federal law enforcement officials said. These officials said they had evidence that made them believe that the notes were made by the suspect, Eugene A. Tafoya, during or after a meeting with Mr. Wilson. The officials believe Mr. Wilson may have arranged and financed the assassination attempt.

None of the men or corporations have been accused of criminal conduct, according to Federal authorities. All the businessmen involved denied having any current business or financial rela-

Continued on Page 22, Column 1



U.S.-ISRAELI TALKS ON MILITARY LINKS ARE REPORTED SET

REAGAN TO RECEIVE BEGIN

Combined Military Exercises and Sharing of Intelligence Said to Be on Agenda

By BERNARD GWERTZMAN
Special to The New York Times

WASHINGTON, Sept. 5 — President Reagan and Prime Minister Menachem Begin of Israel intend to explore the possible strengthening of strategic ties between their countries, including the staging of American military exercises in Israel and the sharing of spy satellite data, American and Israeli officials said today.

Secretary of State Alexander M. Haig Jr. said in an interview that one topic in the meetings next week will be an en-

Excerpts from interview, page 16.

hancement of the "strategic relationship," something that has long been urged by Mr. Begin but has been resisted by the United States as endangering relations with the Arabs.

"There's been a lot of rhetoric in the past," Mr. Haig said, "and I think both sides are interested in putting some meat on the bone of that rhetoric with respect to our bilateral strategic relationship."

Specific Military Topics Listed

American and Israeli officials, elaborating on Mr. Haig's remarks, which were made in an interview on Thursday, said both sides had agreed to explore these military measures:

¶Regularly scheduled joint military exercises or the use of Israeli territory by American forces for their own maneuvers.

¶Logistics cooperation, involving increased use of Israeli facilities for repair and maintenance of American naval and air forces.

¶Increased sharing of intelligence information, with possible Israeli pickup of data from United States reconnaissance satellites.

¶The use of Israeli territory as "a forward facility" for American forces in an emergency requiring the Rapid Deployment Force. The United States would store military equipment and ammunition for its use in such an emergency.

Mr. Begin has in the past stated Israel's willingness to sign a defense treaty with the United States if one is sought by the United States. Mr. Haig said, "I'm not talking about a treaty or an agreement, but I'm talking about practical cooperation which will contribute to regional security."

Mr. Begin arrives in New York tomorrow and is due here on Tuesday. His meetings with Mr. Reagan and other American officials are scheduled for Wednesday and Thursday. He returns to New York on Friday and remains there until Tuesday when he flies to Plains, Ga., to see former President Jimmy

Continued on Page 17, Column 1

Coptic Pope Deposed In Sadat Crackdown On Religious Groups

By WILLIAM E. FARRELL
Special to The New York Times

CAIRO, Sept. 5 — President Anwar el-Sadat, denouncing religious factionalism, deposed the nation's Coptic Pope tonight and said he would dissolve Islamic groups that threaten national unity.

Near the end of his three-hour speech to a special session of Parliament, Mr. Sadat announced that he was canceling a 1971 decree installing Pope Shenuda III as the clerical head of Egypt's six million Copts. The announcement caused a gasp in the packed chamber and some applause.

Threats to Unity Are Seen

Mr. Sadat's remarks came in a lengthy extemporaneous speech that followed the arrests this week of more than 1,000 critics of his regime.

Mr. Sadat said a militant Islamic organization, the Moslem Brotherhood, "jeopardizes the sovereignty and security of this nation" and was an "illegitimate" entity that he had erroneously allowed to function.

He criticized the Islamic associations that are found in universities and elsewhere around the country, and said some would be "dissolved" because they "indulged in activities that threaten national unity."

Mr. Sadat said he would crack down

Continued on Page 6, Column 1

Scientists Dodging Collectors On the Trail of Elusive Moth



By WILLIAM E. SCHMIDT
Special to The New York Times

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Indicted C.I.A. Agent's Associates Operate Concerns in Military Export Field

Continued From Page 1

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According to senior intelligence officials, Mr. Shackley indirectly came to Mr. Wilson's defense when Mr. Wilson was under attack or investigation. In 1977, when charges of misconduct on the part of Mr. Wilson and other intelligence operatives were first brought to the attention of the C.I.A., Mr. Shackley wrote a memo to Stansfield Turner, then Director of Central Intelligence, questioning the credibility of Kevin P. Mulcahy

Last September, Mr. Shackley founded Research Associates International, a consulting company. Research Associates currently shares office space in Rosslyn, Va., with S.S.I. and I.R.T. Ltd., and the incorporation paperwork for Mr. Shackley's company was handled by the Washington law firm of Shaw, Pittman, Potts & Trowbridge, which represents A.P.I., I.R.T., S.S.I. and Estsco, according to company officials.

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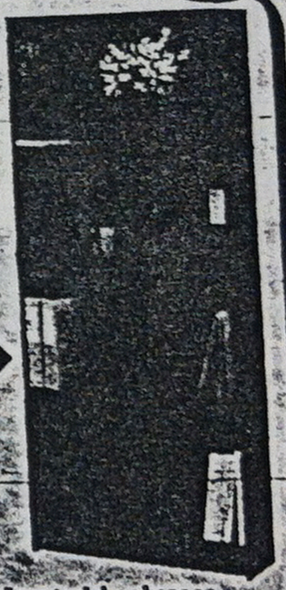
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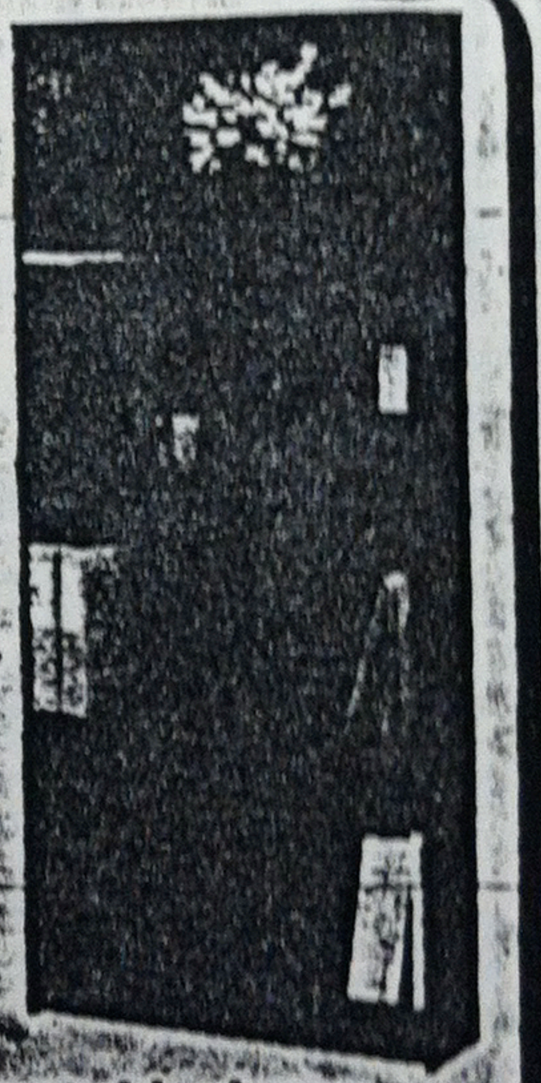
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Despite the numerous links to Mr. Wilson, the men and companies discussed here have not been systematically scrutinized by Federal authorities, Government officials said. The main reason, they said, is that the Justice Department investigation and prosecution of Mr. Wilson have concentrated on activities that occurred between 1976 and 1978.

In 1978, according to Justice Department officials, Mr. Wilson, a former contract employee of the C.I.A. who was involved in the Bay of Pigs invasion and other covert operations, closed a deal with the leader of Libya, Col. Muammar el-Qaddafi. The deal called for Mr. Wilson to sell his expertise in intelligence, arms and explosives to the militant Arab nation in North Africa to train terrorists, the officials said.

Last year, Mr. Wilson and another former C.I.A. agent, Frank E. Terpil, were indicted by a Federal grand jury here on charges of illegally shipping explosives to Libya and conspiring to murder Umar Abdullah Muhayshi, a former member of the Libyan Revolutionary Council who had defected to neighboring Egypt, a country hostile to Libya.

Both Mr. Wilson and Mr. Terpil are fugitives. Mr. Terpil is believed to be living in Beirut, and Mr. Wilson currently lives in Tripoli, the Libyan capital, Federal investigators said.

According to a survey of corporate records in the United Sates and overseas, as well as interviews with more than 50 businessmen, lawyers and government officials, the central figure in the network of individuals and companies is Mr. Clines, who worked at the C.I.A. for 30 years. The companies are involved in Saudi Arabia, Latin America and the Far East as well as Libya, Egypt and Mexico.

Clines's Friendship With Wilson

Before Mr. Clines retired from the agency in October 1978, he served as director of training in the directorate of operations, also known as the clandestine services, according to intelligence officials. Before supervising the training of covert agents and other intelligence operatives, Mr. Clines served under cover himself as an agent in Southeast Asia and played a role in the Bay of Pigs invasion, intelligence officials said.

Mr. Clines met Mr. Wilson at the C.I.A., and the two men became close friends, according to former associates. In 1976, when Mr. Wilson, no longer working for the C.I.A., was arranging for the manufacture of explosive timing devices to sell to Libya, Mr. Clines said he was sitting with Mr. Wilson in a Virginia bar as production plans for the timers were worked out with representatives of Scientific Communications Inc. of Dallas, a longtime supplier to the C.I.A. Mr. Clines later said he was there inadvertently, as a social friend of Mr. Wilson, and that he felt he was "used" by Mr. Wilson.

In an interview last month, Mr. Clines said Mr. Wilson played no role in A.P.I. Distributors. In another interview yesterday, Mr. Clines said that in June 1978, five months before his departure from the C.I.A., he asked Mr. Wilson to help establish the private corporation so he could go into business on his retirement from the agency.

According to incorporation records in Texas, the paperwork to create A.P.I. Distributors was handled for Mr. Clines by the Washington law firm of Dickstein, Shapiro & Morin, which represented Mr. Wilson at the time.

Mr. Clines also said yesterday that in an effort to remove any Wilson connection from A.P.I., he moved quickly after he retired from the C.I.A. in October 1978 to change the company's attorneys, who held the corporation's records. However, records of the CT Corporation System, which assisted in the registration of A.P.I., show that attorneys were not switched until April 29, 1980, a few days after the indictment of Mr. Wilson, according to a CT official.

Incorporation papers list Mr. Clines as president, Mr. Quintero as secretary and director and Ricardo A. Chavez as treasurer and director. According to senior intelligence officials, Mr. Chavez also worked for the C.I.A. and, like Mr. Quintero, reported directly to Mr. Clines, who was both men's "control officer."

Federal investigators said that in 1976, when Mr. Wilson, financed by Libya, was looking for someone to assassinate Mr. Muhayshi, the Libyan defector living in Egypt, he hired Mr. Quintero, who the investigators say is the unnamed assassin described in the Wilson indictment.

The investigators said Mr. Wilson offered Mr. Quintero and two other Cubans $1 million for the assignment and gave Mr. Quintero a check for $30,000 to cover preparation expenses.

Mr. Clines said Mr. Quintero questioned whether the C.I.A. was involved and reported the assignment to him. Mr. Clines in turn told two senior officials at the agency, he said. They sent word back that the planned murder was not sanctioned by the agency, Mr. Clines said, and Mr. Quintero and the two Cubans never attempted to execute a contract.

Shortly after the founding of A.P.I. Distributors, which sells oil-drilling equipment and explores for oil, primarily in Mexico, it opened offices in Houston, sharing quarters with a freight-forwarding company that Mr. Wilson helped to establish several years earlier, according to corporate records and former business associates of Mr. Wilson.

Justice Department officials said that former employees of the company, Aroundworld Shipping and Chartering Inc., are currently under investigation and may be indicted for a role in the shipment of 20 tons of plastic explosives to Libya in 1977.

After his retirement from the C.I.A., Mr. Clines said, he also founded two other companies, Systems Services International Inc., also called S.S.I., and International Research and Trade Ltd., known by the initials I.R.T.

S.S.I., incorporated in Delaware in September 1978, was founded to sell to security systems and to handle the procurement and sale of military hardware, according to a company official. I.R.T., according to an executive, was involved with "logistics systems" and "storage."

Actually, according to incorporation records, there are two I.R.T. companies. One was incorporated in Bermuda in April 1979 and registered there with the Registrar of Companies. The other, International Research and Trade (U.S.) Ltd., was incorporated in Delaware in December 1980. Mr. Clines said that earlier this year he paid back the Swiss loan that involved Mr. Wilson's attorney when he set up I.R.T. Bermuda.

In August 1979, Mr. Clines established the Egyptian American Transport and Services Corporation with a former official in the Egyptian Government, Hussein K. Salem. The company, which was incorporated in Delaware but has its headquarters in Falls Church, Va., was founded at the time the United States reduced restrictions on the sale of military equipment to Egypt, when sales of such equipment were starting to grow rapidly.

Shortly after the formation of Eatsco, the Egyptian Government awarded it an exclusive contract to handle the shipment of all military equipment purchased in the United States, with the exception of aircraft flown to Egypt by the United States Air Force and other sensitive equipment, which is handled by the American Government. Last year, according to Defense Department records, Egypt ordered $2.5 billion worth of military equipment from the United States.

In an interview, Mr. Salem said he owned 51 percent of Eatsco through another corporation, called Tersam U.S.A. Inc. He said Mr. Clines, through S.S.I., owned 49 percent.

The two men said they met 15 years ago in the Far East. Both said Mr. Wilson had no interest and had played no role in Eatsco. Mr. Salem said he had never met Mr. Wilson and had never heard his name before it was raised in the interview.

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The New York Times / Sept. 6, 1981

Mr. Wilson played a central role in trying to sell electronic equipment to Egypt on behalf of a California manufacturer. In that period, these former associates said, Mr. Wilson dealt frequently with senior officials in the Egyptian intelligence service.

Help for Other Wilson Friends

As Mr. Clines has expanded his activities in private business, he has helped other friends of Mr. Wilson from inside and outside the C.I.A. to get started or established in business.

The most prominent is Theodore G. Shackley, former deputy to the director of operations at the agency, one of the C.I.A.'s most powerful and sensitive positions. As with Mr. Clines, Mr. Shackley met Mr. Wilson at the agency and the two men became friends.

According to senior intelligence officials, Mr. Shackley indirectly came to Mr. Wilson's defense when Mr. Wilson was under attack or investigation. In 1977, when charges of misconduct on the part of Mr. Wilson and other intelligence operatives were first brought to the attention of the C.I.A., Mr. Shackley wrote a memo to Stansfield Turner, then Director of Central Intelligence, questioning the credibility of Kevin P. Mulcahy, a former agency employee and Wilson business associate who was making the charges.

Intelligence officials also said that Mr. Shackley played a role in 1977 in discouraging the Senate Intelligence Committee from opening an investigation into Mr. Wilson's conduct and his relationship to the C.I.A. In an interview last month, Mr. Shackley declined to discuss his activities while at the C.I.A.

In May 1976, at the time Mr. Wilson was becoming heavily involved in Libya, he arranged a meeting with Mr. Shackley at Mr. Shackley's home in Bethesda to discuss, among other things, his hopes of selling electronic military equipment to Egypt on behalf of the California manufacturer, according to Mr. Mulcahy, who attended the meeting.

Military Hardware Discussed

Mr. Mulcahy, who was working for Mr. Wilson at the time, said he and Mr. Wilson were joined by Harry Rastatter, a business associate of Mr. Terpil who had recently returned from a trip to Egypt, Turkey and Iran. "We talked about Turkish, Iranian and Egyptian interests in acquiring sophisticated military and intelligence hardware," Mr. Mulcahy recalled in an interview.

Mr. Mulcahy said Mr. Wilson had told him that the meeting was designed to solicit Mr. Shackley's aid and the aid of the C.I.A. to persuade the State Department to issue export licenses for sale of advanced electronic equipment to Egypt, Iran and Turkey, some of which was barred from export at the time.

"At the end of the meeting," Mr. Mulcahy said, "Shackley told us he wanted some of this to come in the front door of the agency. He said to pass through all the Egyptian stuff in writing through the agency's contacts office." That office, in downtown Washington, is where outsiders can make contact with the C.I.A.

Several days later, according to Mr. Mulcahy, he and Mr. Rastatter went to the office for an appointment with Col. Jack Weyand. Later, on June 1, 1976, Mr. Mulcahy wrote a memo to Colonel Weyand outlining the "wish list" of products Mr. Wilson hoped to sell to Egypt.

Mr. Mulcahy gave a copy of the memo to The New York Times. It lists a number of highly advanced electronic devices used for the interception of communications that were banned from sale to Egypt at the time, according State Department officials. These officials, in the Office of Munitions Control, said they could find no evidence that the items proposed for sale were approved at the time.

Mr. Shackley has acknowledged that he attended the May meeting at his house, but said his purpose in talking to Mr. Wilson was to collect information from non-C.I.A. sources. He said he was unaware at the time of Mr. Wilson's activities in Libya.

When Shackley left the C.I.A. in September 1979, he went to work for Mr. Clines at A.P.I. Distributors, S.S.I., and I.R.T. Ltd. Friends of Mr. Shackley familiar with his business activities said he viewed the association with Mr. Clines as a way of getting established in private business. They said that after Mr. Wilson was indicted, Mr. Shackley decided to reduce his association with Mr. Clines and his ventures.

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Officials said, for example, that they were concerned that Mr. Wilson had used agency employees in his personal business activities. In one instance in 1976, Mr. Wilson, who was no longer working for the Government, secured the help of key C.I.A. officials in an unsuccessful effort to sell highly sensitive surveillance equipment to Egypt, according to former Wilson associates.

According to Justice Department officials, in another instance, also in 1976, Mr. Wilson hired Rafael Quintero, a former C.I.A. contract agent who had reported to Mr. Clines, for a fee of $1 million to assassinate a Libyan dissident living in exile in Egypt.

Such an assassination plan, detailed in the 1980 indictment of Mr. Wilson, was never carried out. In 1978, public records in Texas show, Mr. Quintero became secretary and director of A.P.I. Distributors.

Network of Wilson Associates

The establishment of the corporations and the emergence of a network of former Wilson associates in the Washington area occurred around 1978, at about the time Mr. Wilson was shifting his operations overseas, according to Wilson associates. The people in this network, clustered in the same Virginia office buildings, employing the same lawyers and engaging in some of the same business activities that Mr. Wilson did, also have in common longstanding friendships with Mr. Wilson.

Despite the numerous links to Mr. Wilson, the men and companies discussed here have not been systematically scrutinized by Federal authorities, Government officials said. The main reason, they said, is that the Justice Department investigation and prosecution of Mr. Wilson have concentrated on activities that occurred between 1976 and 1978.

In 1976, according to Justice Department officials, Mr. Wilson, a former contract employee of the C.I.A. who was involved in the Bay of Pigs invasion and other covert operations, closed a deal with the leader of Libya, Col. Muammar el-Qaddafi. The deal called for Mr. Wilson to sell his expertise in intelligence, arms and explosives to the militant Arab nation in North Africa to train terrorists, the officials said.

Last year, Mr. Wilson and another former C.I.A. agent, Frank E. Terpil, were indicted by a Federal grand jury here on charges of illegally shipping explosives to Libya and conspiring to murder Umar Abdullah Muhayshi, a former member of the Libyan Revolutionary Council who had defected to neighboring Egypt, a country hostile to Libya.

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Both Mr. Wilson and Mr. Terpil are fugitives. Mr. Terpil is believed to be living in Beirut, and Mr. Wilson currently lives in Tripoli, the Libyan capital, Federal investigators said.

According to a survey of corporate records in the United Sates and overseas, as well as interviews with more than 50 businessmen, lawyers and government officials, the central figure in the network of individuals and companies is Mr. Clines, who worked at the C.I.A. for 30 years. The companies are involved in Saudi Arabia, Latin America and the Far East as well as Libya, Egypt and Mexico.

Clines's Friendship With Wilson

Before Mr. Clines retired from the agency in October 1978, he served as director of training in the directorate of operations, also known as the clandestine services, according to intelligence officials. Before supervising the training of covert agents and other intelligence operatives, Mr. Clines served under cover himself as an agent in Southeast Asia and played a role in the Bay of Pigs invasion, intelligence officials said.

Mr. Clines met Mr. Wilson at the C.I.A., and the two men became close friends, according to former associates. In 1976, when Mr. Wilson, no longer working for the C.I.A., was arranging for the manufacture of explosive timing devices to sell to Libya, Mr. Clines said he was sitting with Mr. Wilson in a Virginia bar as production plans for the timers were worked out with representatives of Scientific Communications Inc. of Dallas, a longtime supplier to the C.I.A. Mr. Clines later said he was there inadvertently, as a social friend of Mr. Wilson, and that he felt he was "used" by Mr. Wilson.

In an interview last month, Mr. Clines said Mr. Wilson played no role in A.P.I. Distributors. In another interview yesterday, Mr. Clines said that in June 1978, five months before his departure from the C.I.A., he asked Mr. Wilson to help establish the private corporation so he could go into business on his retirement from the agency.

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The investigators said Mr. Wilson offered Mr. Quintero and two other Cubans $1 million for the assignment and gave Mr. Quintero a check for $30,000 to cover preparation expenses.

Mr. Clines said Mr. Quintero questioned whether the C.I.A. was involved and reported the assignment to him. Mr. Clines in turn told two senior officials at the agency, he said. They sent word back that the planned murder was not sanctioned by the agency, Mr. Clines said, and Mr. Quintero and the two Cubans never attempted to execute a contract.

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Actually, according to incorporation records, there are two I.R.T. companies. One was incorporated in Bermuda in April 1979 and registered there with the Registrar of Companies. The other, International Research and Trade (U.S.) Ltd., was incorporated in Delaware in December 1980. Mr. Clines said that earlier this year he paid back the Swiss loan that involved Mr. Wilson's attorney when he set up I.R.T. Bermuda.

In August 1979, Mr. Clines established the Egyptian American Transport and Services Corporation with a former official in the Egyptian Government, Hussein K. Salem. The company, which was incorporated in Delaware but has its headquarters in Falls Church, Va., was founded at the time the United States reduced restrictions on the sale of military equipment to Egypt, when sales of such equipment were starting to grow rapidly.

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The New York Times / Sept. 6, 1981

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C.I.A., Mr. Wilson played a central role in trying to sell electronic equipment to Egypt on behalf of a California manufacturer. In that period, these former associates said, Mr. Wilson dealt frequently with senior officials in the Egyptian intelligence service.

Help for Other Wilson Friends

As Mr. Clines has expanded his activities in private business, he has helped other friends of Mr. Wilson from inside and outside the C.I.A. to get started or established in business.

The most prominent is Theodore G. Shackley, former deputy to the director of operations at the agency, one of the C.I.A.'s most powerful and sensitive positions. As with Mr. Clines, Mr. Shackley met Mr. Wilson at the agency and the two men became friends.

According to senior intelligence officials, Mr. Shackley indirectly came to Mr. Wilson's defense when Mr. Wilson was under attack or investigation. In 1977, when charges of misconduct on the part of Mr. Wilson and other intelligence operatives were first brought to the attention of the C.I.A., Mr. Shackley wrote a memo to Stansfield Turner, then Director of Central Intelligence, questioning the credibility of Kevin P. Mulcahy, a former agency employeee and Wilson business associate who was making the charges.

Intelligence officials also said that Mr. Shackley played a role in 1977 in discouraging the Senate Intelligence Committee from opening an investigation into Mr. Wilson's conduct and his relationship to the C.I.A. In an interview last month, Mr. Shackley declined to discuss his activities while at the C.I.A.

In May 1976, at the time Mr. Wilson was becoming heavily involved in Libya, he arranged a meeting with Mr. Shackley at Mr. Shackley's home in Bethesda to discuss, among other things, his hopes of selling electronic military equipment to Egypt on behalf of the California manufacturer, according to Mr. Mulcahy, who attended the meeting.

Military Hardware Discussed

Mr. Mulcahy, who was working for Mr. Wilson at the time, said he and Mr. Wilson were joined by Harry Rastatter, a business associate of Mr. Terpil who had recently returned from a trip to

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The New York Times / Sept. 6, 1981

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After his retirement from the C.I.A., Mr. Clines said, he also founded two other companies, Systems Services International Inc., also called S.S.I., and International Research and Trade Ltd., known by the initials I.R.T.

S.S.I., incorporated in Delaware in September 1978, was founded to sell to security systems and to handle the procurement and sale of military hardware, according to a company official. I.R.T., according to an executive, was involved with "logistics systems" and "storage."

Actually, according to incorporation records, there are two I.R.T. companies. One was incorporated in Bermuda in April 1979 and registered there with the Registrar of Companies. The other, International Research and Trade (U.S.) Ltd., was incorporated in Delaware in December 1980. Mr. Clines said that earlier this year he paid back the Swiss loan that involved Mr. Wilson's attorney when he set up I.R.T. Bermuda.

In August 1979, Mr. Clines established the Egyptian American Transport and Services Corporation with a former official in the Egyptian Government, Hussein K. Salem. The company, which was incorporated in Delaware but has its headquarters in Falls Church, Va., was founded at the time the United States reduced restrictions on the sale of military equipment to Egypt, when sales of such equipment were starting to grow rapidly.

Shortly after the formation of Eatsco, the Egyptian Government awarded it an exclusive contract to handle the shipment of all military equipment purchased in the United States, with the exception of aircraft flown to Egypt by the United States Air Force and other sensitive equipment, which is handled by the American Government. Last year, according to Defense Department records, Egypt ordered $2.5 billion worth of military equipment from the United States.

In an interview, Mr. Salem said he owned 51 percent of Eatsco through another corporation, called Tersam U.S.A. Inc. He said Mr. Clines, through S.S.I., owned 49 percent.

The two men said they met 15 years ago in the Far East. Both said Mr. Wilson had no interest and had played no role in Eatsco. Mr. Salem said he had never met Mr. Wilson and had never heard his name before it was raised in the interview.

Material found in a court-ordered search of the home of Mr. Tafoya, the man charged with the attempted assassination in Colorado, included notes in Mr. Tafoya's handwriting. Among them appeared the following, according to Federal investigators: "Salam Hussian (former Egyptian intell . . . EATS Egyptian American Transport Svc Co. ????

a former agency employee and Wilson business associate who was making the charges.

Intelligence officials also said that Mr. Shackley played a role in 1977 in discouraging the Senate Intelligence Committee from opening an investigation into Mr. Wilson's conduct and his relationship to the C.I.A. In an interview last month, Mr. Shackley declined to discuss his activities while at the C.I.A.

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Military Hardware Discussed

Mr. Mulcahy, who was working for Mr. Wilson at the time, said he and Mr. Wilson were joined by Harry Rastatter, a business associate of Mr. Terpil who had recently returned from a trip to Egypt, Turkey and Iran. "We talked about Turkish, Iranian and Egyptian interests in acquiring sophisticated military and intelligence hardware," Mr. Mulcahy recalled in an interview.

Mr. Mulcahy said Mr. Wilson had told him that the meeting was designed to solicit Mr. Shackley's aid and the aid of the C.I.A. to persuade the State Department to issue export licenses for sale of advanced electronic equipment to Egypt, Iran and Turkey, some of which was barred from export at the time.

"At the end of the meeting," Mr. Mulcahy said, "Shackley told us he wanted some of this to come in the front door of the agency. He said to pass through all the Egyptian stuff in writing through the agency's contacts office." That office, in downtown Washington, is where outsiders can make contact with the C.I.A.

Several days later, according to Mr. Mulcahy, he and Mr. Rastatter went to the office for an appointment with Col. Jack Weyand. Later, on June 1, 1976, Mr. Mulcahy wrote a memo to Colonel Weyand outlining the "wish list" of products Mr. Wilson hoped to sell to Egypt.

Mr. Mulcahy gave a copy of the memo to The New York Times. It lists a number of highly advanced electronic devices used for the interception of communications that were banned from sale to Egypt at the time, according State Department officials. These officials, in the Office of Munitions Control, said they could find no evidence that the items proposed for sale were approved at the time.

Mr. Shackley has acknowledged that he attended the May meeting at his house, but said his purpose in talking to Mr. Wilson was to collect information from non-C.I.A. sources. He said he was unaware at the time of Mr. Wilson's activities in Libya.

When Shackley left the C.I.A. in September 1979, he went to work for Mr. Clines at A.P.I. Distributors, S.S.I., and I.R.T. Ltd. Friends of Mr. Shackley familiar with his business activities said he viewed the association with Mr. Clines as a way of getting established in private business. They said that after Mr. Wilson was indicted, Mr. Shackley decided to reduce his association with Mr. Clines and his ventures.

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The New York Times

York Times NEW YORK, MONDAY, SEPTEMBER 14, 1981

LATE CITY EDITION

Weather: Partly sunny today; chance of showers tonight. Cloudy tomorrow. Temperature range: today 64-82; yesterday 65-85. Details [illegible]

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United Press International

Protested Secretary of State Alexander M. Haig Jr.'s visit to West Berlin hurling rocks at police.

U.S. Says Data Show Toxin Use In Asia Conflict

Haig, in Berlin Speech, Suggests Pact Violation

By BERNARD GWERTZMAN

Special to The New York Times

WEST BERLIN, Sept. 13 — Secretary of State Alexander M. Haig Jr. said today that the United States now had "physical evidence" that poisonous chemicals have been used in Southeast Asia in apparent violation of international agreements banning their use.

In a wide-ranging speech aimed at bolstering West European morale and

Excerpts from Haig speech, page A8.

invigorating the alliance, Mr. Haig took note of what he said had been "continuing reports" that the Soviet Union and its allies had been using "lethal chemical agents" in Southeast Asia and Afghanistan, reports that had not been confirmed before. Now, he said, there was confirmation that three "potent mycotoxins — poisonous substances not indigenous to the region and which are highly toxic to man and animals" — had been found there.

Mr. Haig stopped short of flatly accusing the Russians or Vietnamese of violating the agreements against the use of chemical agents in warfare and the production of bacteriological weapons, but he said that the information would be brought to the attention of the United Nations. His aides said later that the Vietnamese were believed to be using a substance called trichothecene toxin in Cambodia and that the agent had been made in the Soviet Union. [Tass, the Soviet press agency, strongly rejected Mr. Haig's suggestion, Reuters reported from Moscow.]

As 30,000 to 50,000 demonstrators paraded several blocks away from the Hotel Steigenberger where Mr. Haig's speech was delivered, the Secretary charged that a "double standard" was being applied to the actions of the West and the Soviet bloc.

The United States has been accused by Moscow and others "of delay on arms

Continued on Page A5, Column 4

G.O.P. SENATOR SAYS CONGRESS DESIRES DEEPER ARMS CUTS

REAGAN DEFENDS HIS TRIMS

Domenici Argues That Benefits Must Be Modified in Light of Decision on Military

By EDWARD COWAN

Special to The New York Times

WASHINGTON, Sept. 13 — "A majority of the Congress are looking for larger cuts" in planned military spending than those announced last night by the White House, Senator Pete V. Domenici, the Republican chairman of the Senate Budget Committee, said today.

But as President Reagan arrived late today at the White House from a weekend at Camp David, he defended his proposal to cut only a relatively small amount from the Defense Department budget. He told reporters, "We've been cutting a budget that has been overgrown and extravagant over the years while in the same years, Defense has been a poor relative."

The White House announcement last night brought to an end several weeks of intense maneuvering between Defense Secretary Caspar W. Weinberger and David A. Stockman, director of the Office of Management and Budget. It said that President Reagan had decided on cuts of $13 billion in projected military spending in the fiscal years 1982-84, as against the cuts of $20 billion to $30 billion sought by Mr. Stockman and senior White House aides. The fiscal year 1982 starts Oct. 1.

The White House also said that Mr. Reagan had pared $21 billion or so from total appropriations for the Defense Department to be requested from Congress. Only $13 billion of that sum was to be spent in the next three years, $2 billion 1982, $5 billion in 1983 and $6 billion in 1984.

Military Effect Discounted

Senior Defense Department officials and military officers said the trims in military outlays over three years were unlikely to hamper efforts to strengthen the armed forces. [Page B15.]

Among Wall Street economists, the new spending plan evoked cautious reactions. While several approved the action, none thought it would be sufficient to lift the gloomy mood in the financial markets materially. [Page B15.]

Mr. Stockman has said that $75 billion or so must be saved from projected 1983-84 outlays to meet Mr. Reagan's goal of a balanced budget in 1984. Finding economies of more than $80 billion presents a major test for the Administration and Congress.

Because Mr. Reagan appeared to have taken the low end of his range of options on military economies, budget experts said that he and Congress would have to make even deeper cuts in nonmilitary programs, probably including some social welfare programs, for which spending and annual increases are mandated by law.

Senator Domenici said in a television

Continued on Page B14, Column 5

Beyond the Wilson Case

Ex-C.I.A. Agent's Acts Raise Broad Issues Involving the Agency and Transfer of Arms

By PHILIP TAUBMAN

Special to The New York Times

WASHINGTON, Sept. 13 — As teams of investigators and prosecutors reconstruct the activities of Edwin P. Wilson, a former American intelligence agent charged with illegally exporting explosives to Libya, a handful of other officials have been quietly studying some of the national and international issues the case raises.

News Analysis

The issues they are reviewing have touched a raw nerve in Government. Ultimately, if the Government is willing to confront the issues fully and seek reforms where necessary, the results could be more significant than the outcome of the criminal case against Mr. Wilson.

The Wilson case, for example, has revealed serious weaknesses in the laws, regulations and policies that govern the transfer of American arms and technology abroad, according to senior officials in the Reagan Administration. It has also demonstrated, they said, the inadequacy of United States criminal laws, which do not prohibit the training of terrorists abroad by American citizens or the sale of expertise in intelligence, arms and explosives by Americans to hostile foreign powers.

Federal investigators say that in 1978 Mr. Wilson, a former covert operative for the Central Intelligence Agency, negotiated a deal with the leader of Libya, Col. Muammar el-Qaddafi, to sell his expertise in intelligence and military matters for the training of terrorists in the militant Arab nation in North Africa.

C.I.A. Knowledge Questioned

In addition, the Wilson case has raised still unresolved questions about how much the C.I.A. knew of Mr. Wilson's activities and what the agency did to stop them. Although the agency has repeatedly denied any knowledge of, or involvement in, Mr. Wilson's activities, questions linger about unofficial links

Continued on Page A20, Column 1

To Our Readers

The Times begins publication today of an added page, Washington Talk, which will appear Monday through Saturday. It will contain columns, features, analysis and news about life, people and issues in Washington. Page A18.

Britons Seek 6 Tons of Gold In War Wreck

By JOHN F. BURNS



Assumptions



United Press International

ed Secretary of State Alexander M. Haig Jr.'s visit to West Berlin hurling rocks at police.

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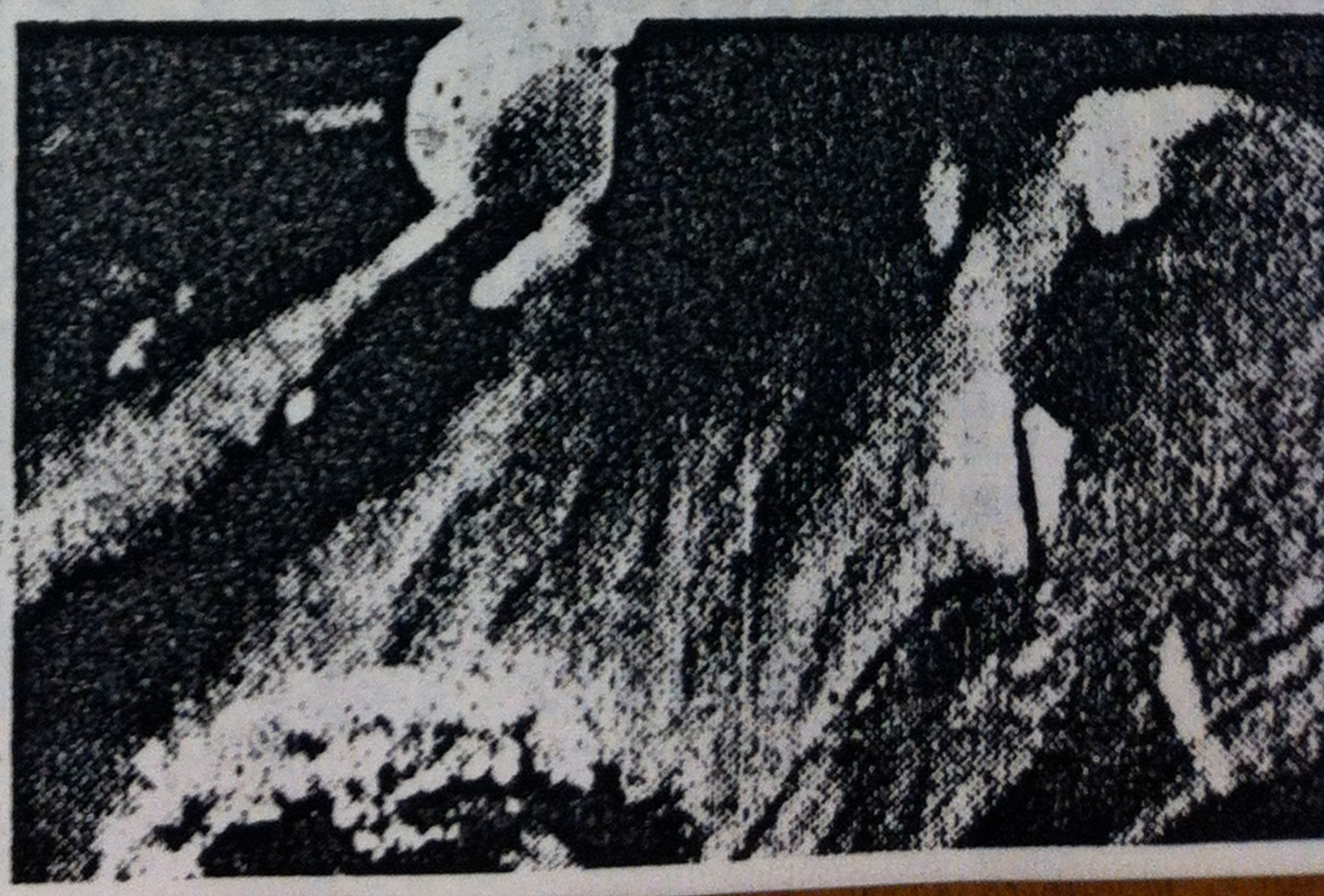
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Ex-C.I.A. Agent's Dealings Raise Broad Que

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between Mr. Wilson and senior agency employees. Some Federal investigators believe that Mr. Wilson may have received tacit approval from agency officials to establish his ties to Libya in the hope that they would produce intelligence unavailable from other sources.

"The issues raised by Wilson's conduct transcend the question of his criminal culpability," said a ranking official in the Justice Department. "They deal with fundamental questions about the responsibility and morality of government agencies and the effectiveness of some of our most basic laws."

Mr. Wilson's ties to Libya, one senior State Department official said, are contrary to American interests and, in effect, constitute a serious national security problem.

Although his activities are regarded as a particularly dramatic abuse, officials believe that they illustrate the damage to the national interest that former intelligence and military officials can do when they attempt to capitalize on information and skills they acquired while working for the Government. Federal investigators said that hundreds of such former employees are involved in exporting military equipment and advanced technology overseas.

Problem Called 'Frightening'

"We frankly don't know how much sensitive technology and military equipment is being smuggled to foreign countries," said a senior intelligence official. "The dimensions of the problem are frightening."

Some officials engaged in the review of the long-term issues believe that the Reagan Administration and Congress have failed to grasp the significance of the Wilson case and to take the kind of steps necessary to prevent similar abuses by former agents. They said that the Administration should appoint an interagency body to review the national security, trade and law enforcement problems exposed by the case.

The best way to explore the question of what the C.I.A. knew and when it knew it, these officials said, would be an investigation by the Senate or House Intelligence Committee. The Senate committee, according to its chairman, Senator Barry Goldwater, Republican of Arizona, has no plans to pursue the case. The House committee, staff members said, has followed developments but this has yet to coalesce into a formal inquiry.

At the moment, most departmental interest in the Wilson case is focused on the development of criminal charges and prosecution. One such inquiry is a Federal Bureau of Investigation study of an allegation that a company controlled by Mr. Wilson bribed an official of the Energy Department with funds obtained from the Control Data Corporation. The bribes, according to Federal law-enforcement officials and a former associate of Mr. Wilson's, were paid to obtain inside information on military

area. The agency currently has no mechanism to control the private use of unclassified intelligence information and skills by former agents, intelligence officials said. The House Intelligence Committee is also examining this question, staff members said.

Any effort to establish regulations or laws to govern the conduct of former government employees raises civil liberties questions and would be likely to face intense opposition, officials said. Critics of the C.I.A., however, note that the agency already regulates what former employees can publish, and is lobbying hard in Congress for passage of legislation that would prevent ex-agents as well as others from disclosing the identities of intelligence operatives.

Perhaps the most difficult issue raised by the Wilson case is the role of the C.I.A. in his activities. It is an issue that thus far has generated far more questions than answers. In 1977, when charges about his conduct were brought to the attention of the Carter Administration, Stansfield Turner, then Director of Central Intelligence, opened an internal investigation to determine whether anyone inside the agency was assisting Mr. Wilson. That in dismissal of two ag cording to the C.I.A.

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It also raised questions about the conduct of several senior officials who were close associates of Mr. Wilson at the agency, including Theodore G. Shackley and Thomas G. Clines, two senior officers in the agency's clandestine services. Mr. Turner, according to former officials at the C.I.A., felt he lacked sufficient proof of links to Mr. Wilson to dismiss Mr. Clines and Mr. Shackley, but he did transfer Mr. Shackley out of his sensitive job as number two official in the clandestine services. Both men have denied playing any role in Mr. Wilson's activities.

No other investigation of the agency's involvement with Mr. Wilson has been conducted, Government officials said. The Senate Intelligence Committee considered such a review in 1977, but was discouraged by senior intelligence officials and set the case aside. The Justice Department, as part of its criminal investigation, has looked at some of Mr. Wilson's connections inside the agency, but Justice Department officials said they have not had access to some of the agency's most sensitive internal files.

Current and former intelligence officials, including Mr. Shackley, acknowledge that Mr. Wilson was considered a potential source of intelligence information after he left the agency in the early 1970's and began putting together business deals with a number of foreign governments and corporations.

What is not known is whether anyone at the C.I.A., motivated by a desire to acquire intelligence information, overlooked the nature of Mr. Wilson's activities, and encouraged him to establish his operations in Libya.

Senator Goldwater said last week that it would probably be impossible to resolve these questions because of the secretive nature of the C.I.A. and its officials. He added that the intelligence committee would not take up this issue because he felt it was unlikely that the C.I.A. had supported Mr. Wilson. "It's not the kind of thing they would do," he said.

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security, trade and law enforcement problems exposed by the case.

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Until a more organized examination of the long-term issues takes shape, the work will apparently be handled on an ad hoc basis by individual officials in various departments working without overall direction or coordination, several of these officials said.

Law May Not Cover Activities

At the Justice Department, senior officials have begun studying whether the Wilson case shows a need for changing the nation's criminal laws. "A lot of his activities," one official said, "seem to have fallen between various laws and may have exposed a problem area."

In general, Justice Department officials said, the Wilson case has revealed weaknesses both in the United States criminal code and in the way it is enforced. "It's a systemic problem," said one official. He added, "The problems cut across agency lines."

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Specifically, officials are looking at the Espionage Act, the Export Administration Act, the Arms Export Control Act, the Logan Act and the Neutrality laws, all of which have some relationship to Mr. Wilson's reported activities in Libya. What they are finding, these officials said, is that the laws do not always directly address the kinds of things Mr. Wilson is accused of doing.

For example, the Espionage Act of 1917, prohibits the transfer of classified information by government employees. The training of terrorists, however, does not necessarily involve classified information, and Mr. Wilson apparently began working for Libya after he left government employment.

Law Can Be Circumvented

The Export Administration Act and the Arms Export Control Act, which govern the transfer of advanced technology and military equipment abroad, directly apply to some of Mr. Wilson's activities, but officials said that the laws could be circumvented by filing false papers with the Commerce Department or State Department and by transporting items barred from export through customs labeled as legitimate goods.

Federal investigators say that is exactly what Mr. Wilson's associates did in 1977, when they illegally shipped 20 tons of plastic explosives from Houston to Libya marked as oil drilling fluid.

The Logan Act, which became law in 1799, bars American citizens from taking actions contrary to the foreign policy interests of the United States. The act, however, has rarely been invoked and would be difficult to use as a basis for prosecuting Mr. Wilson, Justice Department officials said. Neutrality laws may also cover some of Mr. Wilson's activities, but their applicability is not clearly established, either, according to attorneys familiar with the case.

The issue of whether, and how, the Government can control the activities of former intelligence and military officials is proving difficult to resolve, according to Administration officials.

Earlier this summer, William J. Casey, the Director of Central Intelligence, reacting largely to the Wilson case, ordered a review of policies in this

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Associated Press

talks with miners and Government officials.

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gather more evidence so we can put him away this time when he goes to court," Mr. McGuire said.

In the pilot projects, Mr. McGuire reported, the added police work produced stronger cases that led to more felony convictions and longer prison terms.

The Commissioner acknowledged that there were probably 20,000 to 60,000 violent criminals on the city's streets, but he said that a target list of 6,000 was a good start.

The target list will be made up of suspects who have had at least two recent robbery arrests, he said, because robbery is a violent crime against the person and signals a truly predatory offender.

The entire criminal-justice system is

Continued on Page 11, Column 1

Panel in House Will Investigate Ex-C.I.A. Agent

Dealings With Libyans Raise Legislative Issues

By PHILIP TAUBMAN
Special to The New York Times

WASHINGTON, Sept. 18 — The House Select Committee on Intelligence has decided to conduct a full-scale investigation of the activities of a former American intelligence agent charged with illegally exporting explosives to Libya, committee members said today.

The inquiry, the first by Congress into the case of the agent, Edwin P. Wilson, will examine both Mr. Wilson's conduct and the way the Federal Government has handled the case and related matters, according to committee members.

"This whole case requires an in-depth look," said Representative Edward P. Boland, Democrat of Massachusetts, who is the committee chairman.

'Possible Legislative Remedies'

Mr. Boland and other committee members said that Mr. Wilson's activities had exposed possible deficiencies in Federal laws governing the conduct of former Government intelligence agents and the transfer of advanced technology abroad. "We will be looking for possible legislative remedies," Mr. Boland said.

He added that some of the issues might be referred to other House committees for study. The committee's investigation will begin with at least several weeks of staff work.

Federal investigators say that in 1976, Mr. Wilson, a former covert operative for the Central Intelligence Agency, negotiated a deal with Col. Muammar el-Qaddafi of Libya to sell his expertise in intelligence and military matters for the training of terrorists in Libya.

Mr. Wilson and another former C.I.A. agent, Frank E. Terpil, were indicted in April 1980 by a Federal grand jury here on multiple charges of illegally exporting explosives to Libya and conspiring to assassinate a Libyan critic of Colonel Qaddafi. Both Mr. Wilson and Mr. Terpil are fugitives.

The Justice Department said it was

Continued on Page 10, Column 1

REAGAN WILL FIGHT 'TO THE LAST BLOW' FOR SPENDING CUTS

URGES CURB ON PESSIMISM

Says Wall Street Should Heed 'Rising Tide of Confidence' Found on 'Main Street'

By HOWELL RAINES
Special to The New York Times

DENVER, Sept. 18 — President Reagan, defending his economic recovery program in the aftermath of the stock market's plunge to a 16-month low, vowed today to "fight to the last blow" for his new round of spending cuts.

Once again Mr. Reagan exhorted the financial community to foreswear its "pessimism" about the economic plan. He urged Wall Street to respond to the

Excerpts from speech, page 9.

"rising tide of confidence" on America's "Main Street," instead of to the statistics that indicated the economy might be approaching a recession.

Sees Threat to Budget Goal

"Let me say we did not sweat and bleed to get the economic package passed only to abandon it when the going gets a little tough," Mr. Reagan said in a speech here to the National Federation of Republican Women.

"We will not practice dilettante economics," he added, pledging that he would not change his plan to reduce spending, cut income taxes and trim the Federal budget at the same time.

The President blamed Congress and high interest rates for threats to his goal of holding the 1982 budget deficit to $42.5 billion. He acknowledged that "the deficit will go higher — if nothing is done."

Mr. Reagan said he would hold the deficit to his figure by additional budget cuts this year, so as to produce a balanced budget by 1984. "I am not about to stop this long crusade after only eight months in Washington," he said.

Criticizes 'Chicken Littles'

However, Republican Congressional leaders made it clear today that the additional budget cuts would mean the hardest battles, yet for the President. [Page 9.]

And, in the Senate, a new farm bill

White House Planning to Kill Firearms Enforcement Unit

House Committee Will Investigate Ex-C.I.A. Agent's Libya Dealings

Continued From Page 1

currently investigating evidence of other aspects of Mr. Wilson's ties to Libya, including the shipment of 20 tons of plastic explosives from the United States to Libya in 1977 and involvement in the sale, or attempted sale, of advanced technological equipment to Iran, Egypt and other Middle Eastern nations.

The Federal Bureau of Investigation is also looking into an allegation by a former business associate of Mr. Wilson that a company controlled by Mr. Wilson bribed an official of the Energy Department in 1976 with funds obtained from the Control Data Corporation. Control Data acknowledges that it did business with one of Mr. Wilson's companies, but denies knowing of any improprieties.

Staff members on the House Intelligence Committee said that all these areas would be examined by the committee initially, but that eventually the investigation would be likely to focus on broader issues and problems susceptible to legislative remedy.



Edwin P. Wilson

Casey Pledges Cooperation

William J. Casey, the Director of Central Intelligence, was informed of the committee's plans yesterday, staff members said. They said Mr. Casey had pledged to cooperate fully with the investigation.

However, several senior intelligence officials said today that there was concern at the agency that such an investigation could hurt internal morale and divert public attention from the need to rebuild operational and analysis capabilities that they believe were damaged by investigations of the agency in the mid-1970's.

One of the main questions raised by the Wilson case is how much the C.I.A. knew about his activities and what it did to stop them. The agency has denied any involvement in Mr. Wilson's Libyan venture. An internal C.I.A. investigation in 1977 led to the dismissal of two employees found to be aiding him.

However, according to Federal investigators and former Wilson associates, Mr. Wilson remained in contact with several senior C.I.A. officials in the late 1970's and helped at least one of them get established in private business.

Dissolving 'Old Boy Network'

"If there's an 'old boy network,' it ought to be dissolved," Mr. Boland said in a telephone interview today from his home district in Springfield, Mass. He added, "I can't bring myself to believe that people who worked in the intelligence community can walk out of there and still maintain close relationships with people inside the C.I.A. and, at the same time, get involved in Libya."

Mr. Boland also said, "Current employees of the C.I.A. should not be involved with former employees."

Writing legislation to prohibit such relationships, and, in general, to control the conduct of former intelligence agents is likely to encounter stiff resistance in Congress because of civil liberties questions, committee members said.

At present, the C.I.A. has no legal mechanism to control the conduct of former agents or to prevent them from selling unclassified intelligence and skills to foreign governments.

There are several Federal laws, enforced by the State and Commerce Departments, that control the export of American military equipment and technology products. However, officials at both departments say that the laws can be circumvented.

Green Berets in Libya

The committee is also expected to examine Mr. Wilson's use of former Army Special Forces troops, or Green Berets, to train terrorists in Libya, and how Army officials got the impression that the operation had C.I.A. sanction.

In addition, the investigation may look at charges of mismanagement and lack of coordination by the Justice Department in its investigation of Mr. Wilson. Mr. Boland said, however, that the committee did not "want to get in the way" of the department's prosecution of the case.

The House committee has been following developments in the Wilson case for the last several years on an informal basis, staff members said. The decision to open a full-scale investigation means that inquiry will be greatly expanded and formalized, they said.

Committee members said they hoped to conduct as much of the investigation as possible in open session.

White House Planning to Kill

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WNBC Radio, 1.66 AM Mond
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ETHICAL CULTURE

they supported the goals of the Clean Air Act and the public health standards that are its chief aim, but they contended that the health standards could be met at a lower cost.

Ex-C.I.A. Aide Sees 'No Way' to Prohibit Retired Agent Deals

WASHINGTON, Sept. 22 (AP) — Vernon A. Walters, former Deputy Director of the Central Intelligence Agency, who was paid $300,000 this year for his role in a foreign weapons deal, says there is "no way" to bar retired intelligence officials from doing business abroad.

But Mr. Walters, now ambassador-at-large at the State Department, said he would favor a two-year ban against former C.I.A. officials' working with countries or agencies they had dealt with in their Government service.

"There's no way you can say, 'You can't do business abroad,' " Mr. Walters said, commenting on the indictment of two former agents who allegedly sold weapons and their expertise in terrorist training to Libya. Of an outright prohibition on such activities, Mr. Walters said in an interview, "I think that would be a restriction on the individual's freedom."

The House Intelligence Committee said last week it would investigate the allegedly illegal dealings of the former agents, Edwin P. Wilson and Frank E. Terpil, with the Libyan leader, Col. Muammar el-Qaddafi, who United States officials contend is a prime backer of international terrorism.

Goals of the Investigation

The committee chairman, Representative Edward P. Boland, Democrat of Massachusetts, said that the panel would examine what types of business former C.I.A. employees were in "and their relationship with current employees and the problems that result from former employees getting involved with foreign governments."

The $2-billion-a-year trade in United States weapons technology abroad has prompted a number of former agency officials to profit financially from their Government expertise and contacts.

Mr. Walters, a retired general who was the agency's No. 2 man from 1972 to 1976, received $300,000 early this year from a company that specializes in selling sophisticated military technology to foreign countries, according to Government documents and interviews with the principals.

Mr. Walters said he had made contact with top Moroccan officials on behalf of Environmental Energy Systems Inc. of Alexandria, Va., for a deal that later fell through.

Mr. Walters said he had kept the United States Government fully informed about what he had done and would not have been involved with any deals that were against this nation's interests.

9/23/81

Business Day
every business day in
The New York Times



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Reagan Orders Refugees Halted On the High Sea

He Directs Coast Guard to Escort Aliens Home

By United Press International

WASHINGTON, Sept. 29 — President Reagan issued an executive order today authorizing the Coast Guard to intercept and turn around ships on the high seas that are suspected of carrying illegal immigrants.

The order is aimed at Haitians, according to a spokesman for Senator Paula Hawkins of Florida. And certain of the measures described for carrying out the order dealt specifically with Haitians.

Previously, the Coast Guard could challenge vessels suspected of carrying illegal aliens only after they entered United States territorial waters.

"The entry of undocumented aliens from the high seas is hereby suspended and shall be prevented by the interdiction of certain vessels carrying such aliens," the President said in a White House proclamation.

A Justice Department spokesman said the new Coast Guard authority included permission to fire weapons if a Haitian vessel did not respond to a call to halt for inspection.

But a spokesman, Thomas Stewart, said it was doubtful the weapons would be needed, because a Coast Guard cutter could get the attention of a small boat "with a fire hose."

Protection for Political Exiles

A White House official said no "refugees" fleeing political persecution in their homelands would be turned back on the high seas. The Coast Guard is authorized to ask the Haitians whether they are political refugees and examine any documents they may have.

A spokesman in the office of Senator Hawkins said the measure was "aimed at the Haitians," adding, "The problem was with Haitians at the moment. Cubans aren't coming in."

The Presidential proclamation said that the orders had been released "in accordance with cooperative arangements with certain foreign governments." It said that the Government was issuing the order after finding that "the entry of undocumented aliens arriving at the

Continued on Page A28, Column 6



Associated Press

WEINBERGER DETAILS SOVIET STRENGTH: Defense Secretary Caspar W. Weinberger showing a diagram of a Soviet freight-car and tank plant superimposed on a map of Washington to show the factory's size. He was at a news session at which he made public a booklet called "Soviet Military Power." Page A12.

Justice Dept. Bolsters Its Inquiry Into Former Agents' Ties to Libya

By PHILIP TAUBMAN
Special to The New York Times

WASHINGTON, Sept. 29 — The Justice Department, criticized as being insufficiently aggressive in its investigation of two former American intelligence agents charged with illegally shipping explosives to Libya, has appointed a senior attorney to coordinate the inquiry and has mobilized agents to intensify it.

Department officials said the actions, taken at the request of Attorney General William French Smith, began last week with the appointment of a senior official of the criminal division to coordinate and oversee the investigation of Edwin P. Wilson and Frank E. Terpil, both former covert agents for the Central Intelligence Agency.

The two men, now fugitives, were indicted here last year on charges of illegally shipping explosives to Libya in 1976 and 1977 as part of a scheme to train terrorists in the North African Arab nation.

The Justice Department also conducted a meeting last week of two dozen Federal law-enforcement officials from around the nation who have been involved in the investigation. Senior department officials said the meeting was arranged after Mr. Smith and William H. Webster, Director of the Federal Bureau of Investigation, asked their top aides to review the inquiry and take steps to improve coordination among Federal agencies.

Step Termed 'Overdue'

Several officials who were at the meeting acknowledged that the investigation, which began five years ago, has suffered from a lack of coordination. They said the appointment of a senior department attorney to oversee the inquiry was "overdue."

"We're looking at the possibility of multiple crimes committed in diverse locations with numerous Federal agencies having jurisdiction," a participant said. "That's the kind of case that requires strong, centralized direction."

Mr. Wilson and Mr. Terpil are under investigation by a Federal grand jury here for all their ties to Libya, including the shipment of explosives, the use of former Army special forces troops to train terrorists and conspiracy to assassinate a Libyan dissident living in Egypt. They are also under investiga-

Continued on Page A28, Column 5

PROPERTY TAX CUT FELT IN CALIFORNIA

With State Surplus Now Gone, Proposition 13 Takes Toll

By ROBERT LINDSEY
Special to The New York Times

LOS ANGELES, Sept. 29 — After smoldering like a slow fuse for more than three years, Proposition 13 has begun to eat deeply into the services provided by both state and local governments.

A multibillion-dollar state surplus had camouflaged the effects of the ballot proposition, which in 1978 slashed property taxes by almost 60 percent, but the surplus is now gone. A series of other major tax reductions and a costly battle this year against the Mediterranean fruit fly have left California in potentially precarious financial straits, state officials say.

This will be especially true, the officials say, if President Reagan's latest round of spending cuts is approved by Congress.

Mary Ann Graves, the State Finance Director, said today that the Federal spending cuts, on top of the state's existing financial problems, necessitated a special session of the State Legislature. She said that Gov. Edmund G. Brown Jr., who is under increasing pressure to call such a session, should consider an immediate hiring freeze or a halt in nonessential state construction projects and that the Legislature should then evaluate still deeper cuts to avert a threat-

Continued on Page A24, Column 1

A Debt of $1 Trillion: Its Effect on

By KAREN W. ARENSON

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Crime

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rse, what former Attorney riffin B. Bell and other task bers called the most impor- ir 64 recommendations, a $2 teral appropriation to help d jails and prisons so that nt offenders could be locked

gan's speech and the reac- ere reminiscent of President ar on crime" in the late Chief Justice Warren E. nticrime speech last Febru-

lect the difficulty leaders xperienced in translating an- etoric and proposals into e rates and safer streets, a at is expecially pronounced budgetary stringency.

o illustrate the tension be- strong public sentiment for nleashing the police to fight ee of procedural "technical- the concern of the courts and that such measures would abuse of the constitutional ts of all citizens.

an said his pledge to lead e attack on drug traffic," in- slation to enlist the help of orces, "can lead to a signifi- on in crime."

he did not make clear how tration could expect to im- efforts of past Administra- ting drug traffic while law- budgets were being cut. beter, director of the Fed- of Investigation, said today orcement officials could not look to Washington for additional money to fight the new war on crime.

Mr. Reagan's more controversial proposals to cut back on the rights of criminal defendants — like his swipes at lawyers and "Utopian" social thinkers who have suggested that poverty breeds crime — were apparently aimed less at achieving an immediate reduction in crime than at responding to the outrage of an electorate that he said had lost confidence in "the ability of our courts to sentence and convict criminals."

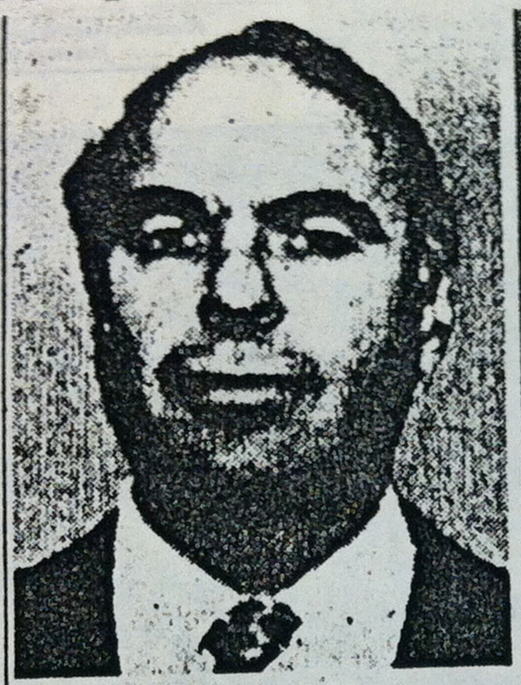
Mr. Reagan won his most enthusiastic applause in his speech to police chiefs convening in New Orleans when he denounced the 77-year-old, judicially created "exclusionary rule," under which a law-enforcement error can be used to justify throwing a case out of court.

The courts have indeed allowed guilty criminals to go free in a few cases, some of them highly publicized, because of "technical" police errors. The Supreme Court has ruled, over vigorous dissents, that this is the price of protecting the privacy rights of all citizens against illegal searches and seizures.

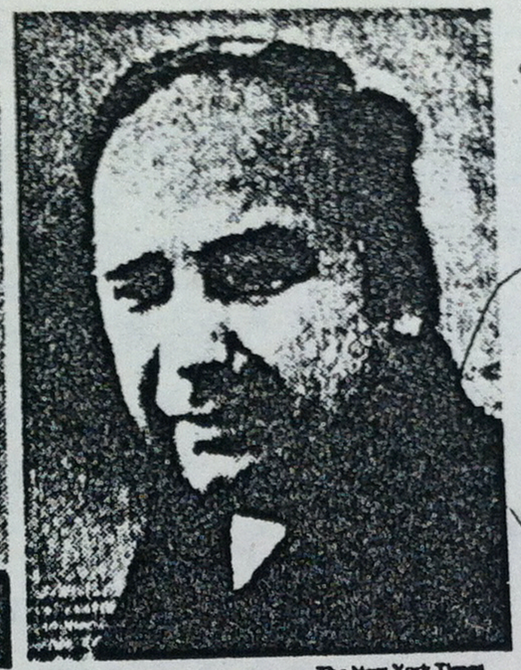
Abolishing or weakening the exclusionary rule would get relatively few criminals off the streets. Studies by the General Accounting Office and others have indicated it has been used as a basis for throwing out evidence in less than 2 percent of all cases and for dropping charges in even fewer cases.

Mr. Reagan's proposal for "bail reform," to permit judges to jail defendants who might commit additional crimes before trial, might in theory get a somewhat larger number of dangerous people off the streets, given the relatively large number of crimes committed by defendants released on bail.

But such a result is unlikely in practice because it could be produced only by a massive increase in the number of people locked up in jails that have no room for such an influx.



Edwin P. Wilson



The New York Times

Frank E. Terpil

Justice Dept. Bolsters Inquiry Into Ex-Agents' Ties to Libya

Continued From Page A1

steps to improve coordination among Federal agencies.

Several officials who were at the meeting acknowledged that the investigation, which began five years ago, has suffered from a lack of coordination. They said the appointment of a senior department attorney to oversee the inquiry was "overdue."

"We're looking at the possibility of multiple crimes committed in diverse locations with numerous Federal agencies having jurisdiction," a participant said. "That's the kind of case that requires strong, centralized direction."

Mr. Wilson and Mr. Terpil are under investigation by a Federal grand jury here for all their ties to Libya, including the shipment of explosives, the use of former Army Special Forces troops to train terrorists and conspiracy to assassinate a Libyan dissident living in Egypt. They are also under investigation for the illegal exporting of military equipment and advanced technology elsewhere in the Middle East. In addition, there are allegations that Mr. Wilson was involved in a scheme to bribe senior government and Congressional officials, according to Justice Department officials.

A Case in Colorado

Federal investigators are also looking at evidence they believe shows that Mr. Wilson may have arranged and financed the attempted assassination last year of a Libyan student in Fort Collins, Colo. The evidence, including bank and telephone records, was found at the home of Eugene A. Tafoya, the suspect in the shooting, and links him directly to Mr. Wilson, the investigators say.

Prosecution of that case, however, has been left in the hands of the local authorities in Colorado, who say they lack the money and manpower to trace the international connections between Mr. Tafoya and Mr. Wilson. As a result, they say, many leads have not been pursued.

The lack of coordination between the F.B.I. and the Fort Collins authorities was one of many issues raised at the meeting at the Justice Department on Sept. 22, according to participants. The meeting was called by the head of the criminal division, Assistant Attorney General D. Lowell Jensen.

Mr. Jensen, according to several participants, told the assembled law-enforcement officials that Robert I. Richter, deputy chief of the public integrity section, would oversee the investigation. Until last week, the investigation was coordinated by the United States Attorney's office in the District of Columbia, but that office lacked the authority to manage all aspects of a case that might involve criminal activities on three continents and in more than half a dozen locations within the United States, department officials said.

'No One Was Riding Herd'

The complexity of the case was underlined by the composition of the assembled group. It included representatives from six field offices of the F.B.I., the Bureau of Alcohol, Tobacco and Firearms, three sections of the criminal division, and the United States Attorney's offices in Denver, Philadelphia and Washington.

"A number of things were immediately clear," one participant said. "First, there hadn't been enough coordination between agencies. Investigators from one agency were learning what investigators at another agency were finding by reading the newspaper. No one was riding herd. Second, the F.B.I. was simply not engaged. They were working the case, but not with the kind of effort and manpower it requires."

The meeting, which lasted all day, also focused on the possible involvement of the Central Intelligence Agency in Mr. Wilson's and Mr. Terpil's relationship with Libya, according to participants. Some Federal investigators believe that senior C.I.A. officials may

Act now and earn up to $2,000



Edwin P. Wilson



The New York Times

Frank E. Terpil

look to Washington for additional money to fight the new war on crime.

Mr. Reagan's more controversial

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The meeting, which lasted all day, also focused on the possible involvement of the Central Intelligence Agency in Mr. Wilson's and Mr. Terpil's relationship with Libya, according to participants. Some Federal investigators believe that senior C.I.A. officials may have known about and given tacit approval to the Libyan connection in hopes that it would produce intelligence unavailable from other sources.

"There was general concern about how forthcoming the agency has been," a senior Justice Department official said.

The House Select Committee on Intelligence announced earlier this month that it would conduct a full-scale investigation of the Wilson-Terpil case, including an examination of how the Government has handled its investigation of the two men. Committee staff members began questioning former business associates of Mr. Wilson this week.

Senior Justice Department officials said that the House investigation, coupled with recent newspaper disclosures about Mr. Wilson's activities, was one reason that Attorney General Smith moved in recent weeks to intensify the investigation.

PRESIDENT ORDERS

PRIOICR-09

Ex-Agent Tied To Plan to Give Data to Soviet

Computer Program Was Used for Intelligence

The following article is based on reporting by Philip Taubman and Jeff Gerth and was written by Mr. Gerth.

Special to The New York Times

WASHINGTON, Oct. 10 — Edwin P. Wilson, a former American intelligence agent charged with illegally shipping explosives to Libya, attempted to divert American technology used in electronic intelligence gathering and reconnaissance to the Soviet Union, according to two former associates familiar with the scheme.

The 1977 plan, they said, called for stealing the computer program for highly sophisticated American equipment in Iran that was used for detecting submarines and analyzing aerial reconnaissance information. The equipment, known as a digital image processing system, can enhance sonar and satellite data and has been sought by the Russians so that they can improve their own reconnaissance capabilities.

According to William J. Perry, Under Secretary of Defense for technology in the Carter Administration, the program, called source codes and usually stored on tapes or disks, has a "direct and powerful" military application.

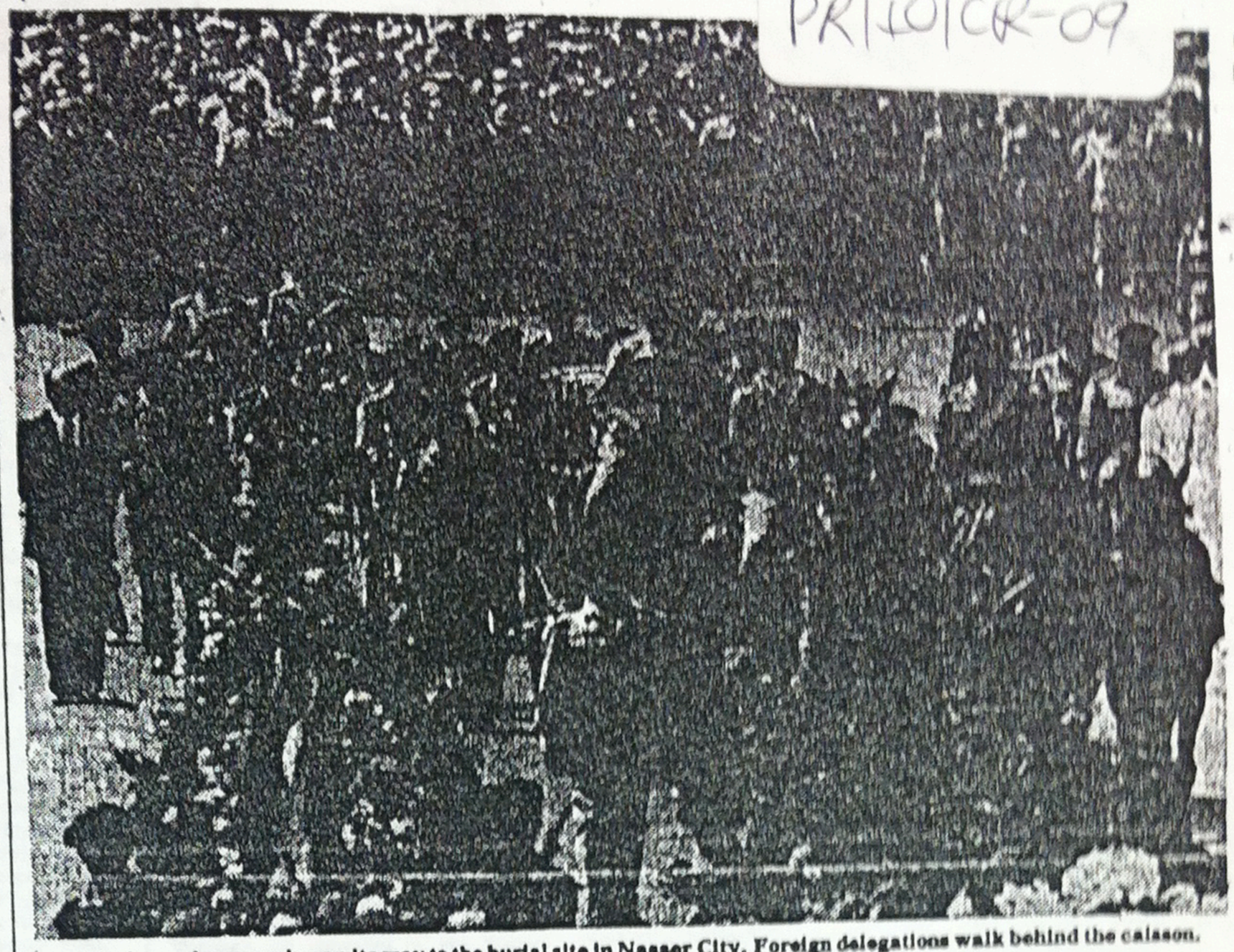
Request to 'Appropriate' Codes

One former associate of Mr. Wilson, who asked not to be identified, said that Mr. Wilson had asked him to "appropriate" the program and that he had refused to do so. It is not known whether Mr. Wilson was able to obtain the program from some other source or whether it was ever obtained by the Russians.

The account of the planned diversion is the first indication that Mr. Wilson's private business activities after he left the Central Intelligence Agency may have extended to the Soviet Union. The computer code scheme also shows that Mr. Wilson was interested in marketing military-related electronic equipment far more sensitive and difficult to obtain than the ordnance devices that he is charged with having sold to Libya.

The transfer of advanced American

Continued on Page 34, Column 3



The funeral procession on its way to the burial site in Nasser City. Foreign delegations walk behind the caisson.



In the procession were, from top left: Former President Gerald R. Ford; Prime Minister Menachem Begin of Israel; former President Valéry Giscard d'Estaing of France; former President Jimmy Carter, and Sol M. Linowitz, former special envoy to the Mideast. From lower right are former Secretary of State Henry A. Kissinger and former President Richard M. Nixon.

Heavy Security At Funeral Bars Egyptian Public

By FRANK J. PRIAL

Special to The New York Times

CAIRO, Oct. 10 — Haunted by the memory of the assassination four days ago of President Anwar el-Sadat while he was surrounded by aides and bodyguards, Egyptian officials turned his funeral today into an intense exercise in security control.

Thousands of soldiers, airmen, policemen and special security agents were detailed to insure that the leaders of more than 80 nations who came here for the funeral, as well as Egyptian officials and the family of the slain President, would be safe.

Policemen and soldiers carrying automatic weapons guarded hundreds of miles of streets in this sprawling city. Sandbagged gun emplacements could be seen in the lobbies and on balconies of official buildings. Armored cars filled with soldiers in battle dress stood ready in every major square, and helicopters circled continuously overhead.

The funeral services were made especially secure by isolating them from the Egyptian people. They were held at a mosque in a heavily guarded military hospital and at an even more heavily guarded parade ground in a vast military encampment. Riot policemen, armored vehicles and troops of soldiers made sure that no ordinary Egyptian

Continued on Page 21, Column 1

To Our Readers

The Times introduces an expanded and redesigned Travel section today. It will emphasize articles by Times correspondents and critics along with those of authoritative freelance writers.

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ive vs. the Fugitive: Abbott Was Found

By M. A. FARBER

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Ex-Agent Tied To Plan to Give Data to Soviet

Computer Program Was Used for Intelligence

The following article is based on reporting by Philip Taubman and Jeff Gerth and was written by Mr. Gerth.

Special to The New York Times

WASHINGTON, Oct. 10 — Edwin P. Wilson, a former American intelligence agent charged with illegally shipping explosives to Libya, attempted to divert American technology used in electronic intelligence gathering and reconnaissance to the Soviet Union, according to two former associates familiar with the scheme.

The 1977 plan, they said, called for stealing the computer program for highly sophisticated American equipment in Iran that was used for detecting submarines and analyzing aerial reconnaissance information. The equipment, known as a digital image processing system, can enhance sonar and satellite data and has been sought by the Russians so that they can improve their own reconnaissance capabilities.

According to William J. Perry, Under Secretary of Defense for technology in the Carter Administration, the program, called source codes and usually stored on tapes or disks, has a "direct and powerful" military application.

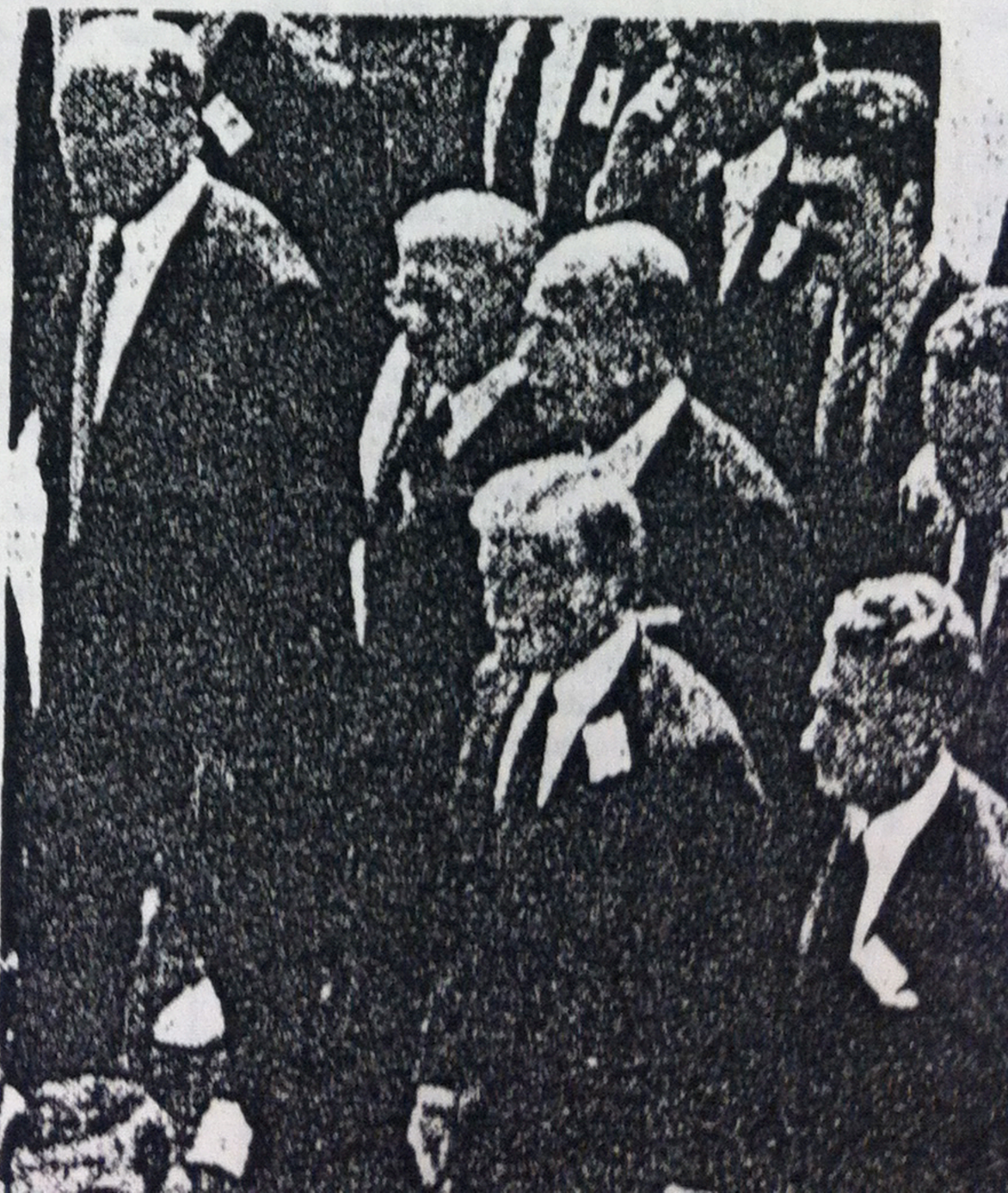
Request to 'Appropriate' Codes

One former associate of Mr. Wilson, who asked not to be identified, said that Mr. Wilson had asked him to "appropriate" the program and that he had refused to do so. It is not known whether Mr. Wilson was able to obtain the program from some other source or whether it was ever obtained by the Russians.

The account of the planned diversion is the first indication that Mr. Wilson's private business activities after he left the Central Intelligence Agency may have extended to the Soviet Union. The computer code scheme also shows that Mr. Wilson was interested in marketing military-related electronic equipment far more sensitive and difficult to obtain than the ordnance devices that he is charged with having sold to Libya.



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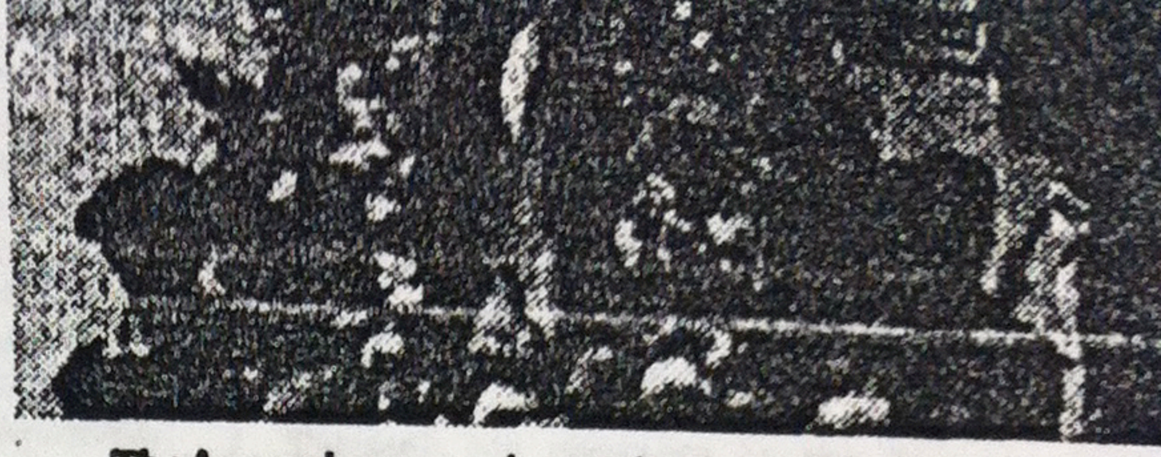
The transfer of advanced American

Continued on Page 34, Column 3

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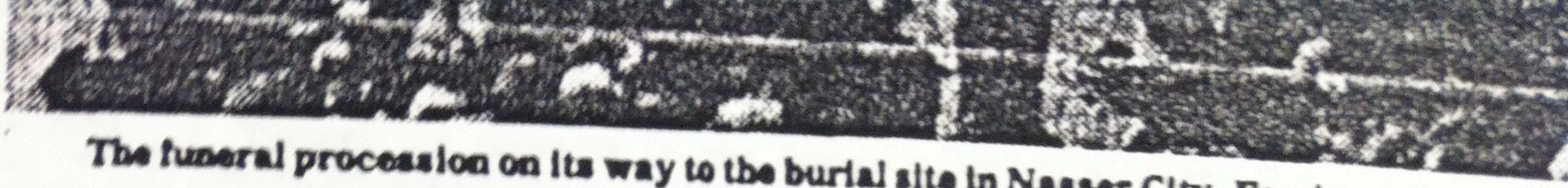


The funeral procession on its way to the burial site in N



In the procession were, from top left: Former President Prime Minister Menachem Begin of Israel; former Pres card d'Estaing of France; former President Jimmy Carte witz, former special envoy to the Mideast. From lower rig retary of State Henry A. Kissinger and former President R

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The funeral procession on its way to the burial site in Nasser City. Foreign delegations



In the procession were, from top left: Former President Gerald R. Ford; Prime Minister Menachem Begin of Israel; former President Valéry Giscard d'Estaing of France; former President Jimmy Carter, and Sol M. Linowitz, former special envoy to the Mideast. From lower right are former Secretary of State Henry A. Kissinger and former President Richard M. Nixon.



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Discussions about the planned diversion involved David P. Shortt, the other former associate, an English businessman who acts as a key middleman for the transfer of Western technology to the Soviet Union. Mr. Shortt managed the Austrian office of the Hewlett-Packard Corporation in 1973 when two of the company's computers were transferred by that office to Czechoslovakia without the required Government approval. Senior intelligence officials said that the Central Intelligence Agency considered the diversion to be a "serious loss" at the time.

Mr. Shortt, according to Federal law-enforcement officials, has twice been the subject of Government investigations concerning his ties to the Soviet Union and to Mr. Wilson and Frank E. Terpil, another former intelligence agent indicted with Mr. Wilson. Government officials say they have evidence that Mr. Shortt has met in Iran and the Soviet Union with officials of the K.G.B., the Soviet Government's intelligence service, but they do not know if Mr. Shortt is aware of the intelligence connections of his Russian associates.

The Federal investigations, which have not dealt with the computer code scheme, were considered routine until the recent emergence of Mr. Wilson as a major subject of investigations, Justice Department officials said. They added that the two investigations of Mr. Shortt had thus far proved inconclusive.

Mr. Wilson, responding to questions through his Washington attorney, John A. Keats, said that he had no recollection of the scheme to sell digital imaging processing technology to the Soviet Union. Mr. Wilson, currently a fugitive and living in Libya, also told Mr. Keats that he remembered meeting once with Mr. Shortt in 1977 but that they never did any business together.

According to Mr. Keats, Mr. Wilson thought that Mr. Shortt was connected with Mr. Terpil at the time.

Mr. Shortt, in an interview in his London office last week, denied any impropriety in his business affairs. He acknowledged a past association with Mr.

Union had actually come into possession of the technology.

A former Stanford Technology official said that Mr. Shortt asked him in late 1976 to "make sure" the export application "passed," an instruction that the employee, Glenn Peterson, said he interpreted as calling for him to "lie or fill out the form inaccurately." Mr. Peterson said he had left the company in large part because of Mr. Shortt's request and the attempted sale to the Soviet Union.

Mr. Shortt said he told Mr. Peterson to "prepare the information for the licensing form."

Mr. Shortt said he met Mr. Wilson and Mr. Terpil, another former C.I.A. employee indicted last year with Mr. Wilson on charges of shipping explosives to Libya, in Iran in 1976 through Albert Hakim, an Iranian businessman who controlled Stanford Technology. At that time, Stanford Technology was selling sophisticated surveillance systems as well as digital image processing equipment.

The imaging systems were designed for civilian agriculture applications, such as enhancing and interpreting data about the earth's topography and soil composition gleaned from satellites. By 1975, Iran's Ministry of Agriculture was using Stanford Technology's 101 imaging system, considered by experts to be one of the most advanced systems in the world at that time.

Through his contacts in the Soviet Union, Mr. Shortt had obtained commitments from two nonmilitary Soviet institutions to purchase the 101 system, and in late 1976 the company applied to the Commerce Department for an export license for those sales. Despite the civilian uses spelled out in the license form, Defense Department and C.I.A. officials were concerned about the potential military applications of the 101 system, according to a former Defense Department official.

These concerns, the official said, centered less on the hardware, which included a Hewlett-Packard computer and a viewing screen, than on the software, the actual programming instructions and codes. The software for the 101 can be applied to the enhancement of satellite reconnaissance information and sonar data, according to Mr. Perry.

The United States Government's reservations, which eventually led to a

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According to Mr. Keats, Mr. Wilson thought that Mr. Shortt was connected with Mr. Terpil at the time.

Mr. Shortt, in an interview in his London office last week, denied any impropriety in his business affairs. He acknowledged a past association with Mr. Wilson, including participating in the discussions about transferring the computer code to the Soviet Union, but denied that he had ever participated in a business deal with Mr. Wilson.

He also denied having any improper association with Soviet intelligence officials, and said that his role as a middleman in sales to the Soviet Union had put him in contact with many Soviet officials and made him a natural target for suspicion.

"It's a very fine line you walk down when you're working in hostile territory," he said.

'What Is the K.G.B.?'

Asked whether he ever worked with the K.G.B., Mr. Shortt replied with a question of his own. "What is the K.G.B.?" he asked, adding that it was almost impossible to know whether Soviet officials he dealt with had intelligence connections.

Mr. Shortt continued: "Do I work for the K.G.B.? No. Would I work for the K.G.B.? No."

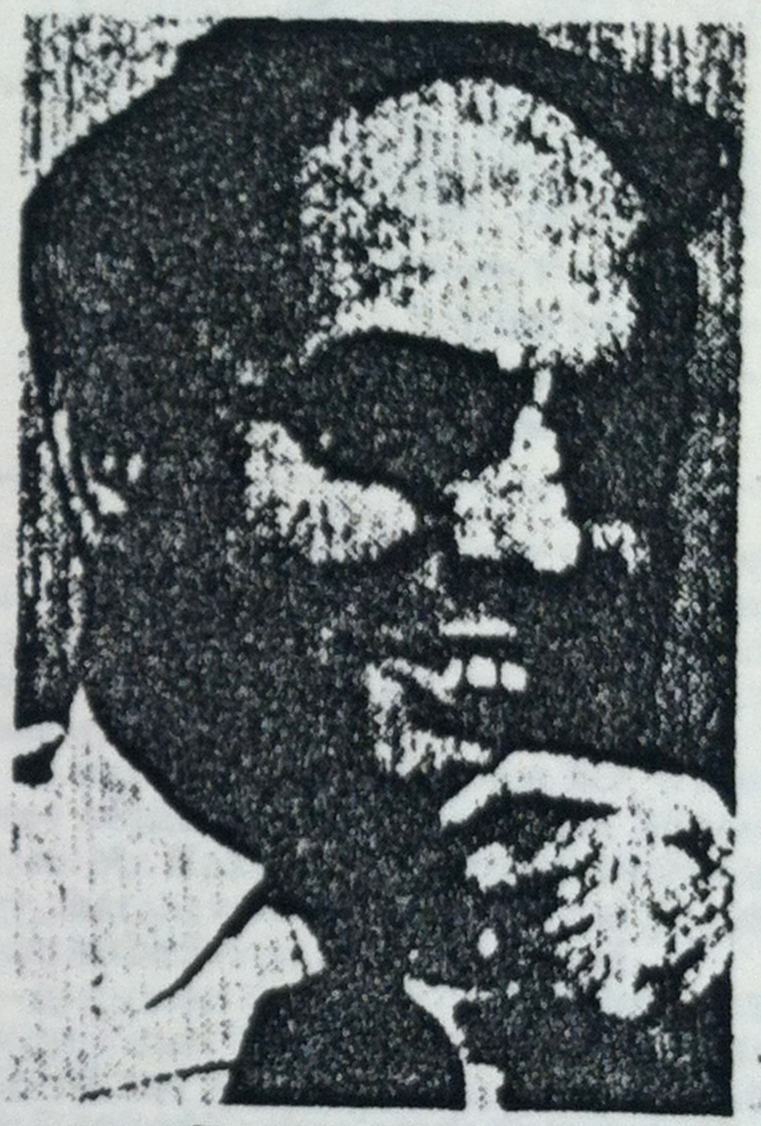
Mr. Shortt and Mr. Wilson worked in 1976 and 1977 as marketing representatives for a California electronics company that manufactured the image processing equipment Mr. Wilson apparently hoped to sell to the Soviet Union. The company, the Stanford Technology Corporation, not related to Stanford University, is based in Sunnyvale and applied to the Commerce Department in 1976 for an export license to sell the same equipment to the Soviet Union but was subsequently denied approval, according to Defense Department officials who reviewed the application.

These officials said that, because of the military applications of the technology, the request was eventually denied by Mr. Perry, then Under Secretary of Defense for research and engineering and formerly the head of a computer company in California.

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The New York Times / Philip Taubman

David P. Shortt, a British businessman who has been active in the export of Western technology.

denial of an export license to Stanford Technology, were well known by company officials, including Mr. Shortt and Mr. Wilson, former Stanford Technology employees say.

It was in early 1977, when Mr. Wilson was beginning to disassociate himself from Mr. Hakim and Stanford Technology, that the scheme to divert the 101 system to the Soviet Union unfolded.

A former Stanford Technology employee said in an interview that Mr. Shortt and Mr. Wilson approached him in Stanford Technology's Teheran office on three occasions in late February and early March of 1977, asking him to "appropriate" or steal the source codes, or software, for the 101 in order to sell the

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This article continues an investigation by The Times into the transfer abroad of advanced technology, military equipment and expertise by former United States intelligence agents and military officials.

Key issues involve Federal control over such transfers, how they were made and the role of the Central Intelligence Agency in the activities of Edwin P. Wilson, a former agent. Mr. Wilson and another former agent were indicted in 1980 on charges of exporting explosives to Libya to help train terrorists. Other former C.I.A. employees have business ties to Mr. Wilson.

Previous articles have reported on Mr. Wilson's use of Green Beret troops to train terrorists in Libya, evidence that investigators say links Mr. Wilson to the suspect in the attempted murder of a Libyan student in Colorado and allegations that a company controlled by Mr. Wilson bribed a former Federal official.

and Mr. Wilson that it would be difficult to appropriate the 101 source codes, Mr. Wilson suggested a cover story to facilitate stealing the codes. The former Stanford Technology official said he declined to steal the technology, adding that he was opposed to legal transfers of sensitive technology to the Soviet Union.

After these three conversations, in which Mr. Wilson did most of the talking and Mr. Shortt functioned as a concurring partner, according to the former employee, Mr. Shortt and Mr. Wilson never discussed the matter with him again.

United States officials say they are not sure whether the Soviet Union ever obtained the 101 system or its software, although the former Stanford Technology employee who declined to obtain the source codes for Mr. Wilson and Mr. Shortt in Iran says they could have been obtained elsewhere.

Another former associate of Mr. Wilson said that around the spring of 1977, shortly after the conversations in Iran about diverting the 101 technology to the

for the unlawful transfer of the minicomputers to Czechoslovakia. The Office of Export Administration action did not mention Mr. Shortt, nor did it evaluate the national security implications of the transfer. While Mr. Shortt and Hewlett-Packard officials minimize the gain for Soviet-bloc officials in obtaining the minicomputers, some senior intelligence officials characterized the transfer as a "serious loss" of vital military-related American technology at the time.

American counterintelligence and law enforcement officials first became interested in Mr. Shortt in the early 1970's, about the time of the minicomputer transfer, Federal officials say. After leaving Vienna, Mr. Shortt went to Teheran, setting up a company, Videlcom. In 1976, Videlcom registered in Switzerland, according to Swiss public records; in 1978, it incorporated in Massachusetts, according to records on file with the Massachusetts Secretary of State, and in 1980, it registered in London, according to Mr. Shortt.

Videlcom's Activities

According to Mr. Shortt, Videlcom represents, for the most part, small to medium-sized Western companies interested in selling advanced technology to the Soviet Union and other Eastern countries. Mr. Shortt's main partner is his wife, Anne, an Iranian whose parents live in Iran and the Soviet Union. Mr. and Mrs. Shortt met several years ago in Teheran.

Mr. Shortt says he spends considerable time in the Soviet Union, as much as six months a year until recently, and that all his contacts are strictly business-related.

Federal officials say some of Mr. Shortt's past associations in Moscow and Teheran aroused their suspicion because they involved K.G.B. officials. And it was Mr. Shortt's contacts with Soviet officials in California, these officials add, that led to a counterintelligence investigation of him by the Federal Bureau of Investigation.

That investigation proved inconclusive, as did a later F.B.I. investigation into an allegation that Mr. Shortt was involved in an unspecified illicit scheme with Mr. Terpil and Mr. Wilson.

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New York Times / Phillip Toscano

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Another former associate of Mr. Wilson said that around the spring of 1977, shortly after the conversations in Iran about diverting the 101 technology to the Soviet Union through a Scottish company, Mr. Wilson did set up a company in Scotland. This company was used, among other purposes, for selling timers and detonation devices to Libya, according to this former Wilson associate, who was not familiar with the computer code diversion plan.

Mr. Shortt, in an interview, acknowledged being at the meetings where the plan to divert the computer codes was discussed, but initially said that Mr. Wilson had done the talking. Later in the interview, when asked about a specific conversation from those discussions, he said, "I don't remember who said what at this conversation."

Upon further reflection, Mr. Shortt said that his participation in the discussions about diverting the computer codes to the Soviet Union was "kind of pipe-dreaming on my part."

Mr. Shortt also said that some time later, Mr. Wilson brought two Scottish engineers who were working on detonating devices to meet with him at a London hotel to get Mr. Shortt's "technical advice," but that his association with Mr. Wilson never included any "business deal."

Later in 1977, Mr. Wilson began to disassociate himself from Stanford Technology, Mr. Terpil and Mr. Shortt. Mr. Shortt still represents, on a contractual basis, Stanford Technology, which recently reorganized under the name International Imaging Systems.

Hewlett-Packard Minicomputers

Before his affiliation in Iran with Stanford Technology, Mr. Shortt worked for Hewlett-Packard, as did Mr. Hakim. In the early 1970's Mr. Shortt headed the Vienna-based Austrian subsidiary of Hewlett-Packard, which was responsible for sales to Eastern European countries and the Soviet Union.

In 1973, two Hewlett-Packard minicomputers were re-exported from Switz-

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Mr. Shortt views these suspicions as an occupational hazard. He says he would not be surprised if the C.I.A. had a "big file" on him and that some Russians wrongly accuse him of Western intelligence affiliations, including a connection to Mossad, the Israeli intelligence agency.

As is often the case in intelligence matters, American officials seem to be ambivalent, if not contradictory, in their dealings with Mr. Shortt, who says he was born 42 years ago in India and is a British citizen.

An American businessman, who asked not to be identified, said the C.I.A. attempted to recruit Mr. Shortt several years ago, even though the agency has harbored suspicions about Mr. Shortt since the early 1970's. The businessman said he had declined the request of a C.I.A. official to act as an intermediary in the possible recruitment. The C.I.A. would not comment on the matter.

Mr. Shortt himself questions the validity of United States Government suspicions against him by pointing out that he and his wife are allowed the use of secretaries and telex facilities at United States offices in Moscow.

Comments by Export Regulator

The longtime head of the Export Administration, and the man most responsible for setting up the apparatus to enforce United States export laws, Raüer H. Meyer, has been a consultant to Videlcom and Mr. Shortt on several occasions since he left the Commerce Department in 1979, according to Mr. Meyer and Mr. Shortt. Mr. Meyer says he helps Mr. Shortt's United States corporate clients who have export licensing problems involving sales to the Soviet Union and Eastern-bloc countries.

Mr. Meyer, who in 1975 signed the civil enforcement action against Hewlett-Packard's Austrian unit, says he does not remember Mr. Shortt's involvement in the matter. In a telephone interview, Mr. Meyer spoke highly of Mr. Shortt and said he did not know of any questionable dealings by Mr. Short. Mr. Meyer also mentioned a recent

Ex-Agent Is Tied to Plan to Send Data to Russians

Continued From Page 1

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Mr. Shortt, according to Federal law-enforcement officials, has twice been the subject of Government investigations concerning his ties to the Soviet Union and to Mr. Wilson and Frank E. Terpil, another former intelligence agent indicted with Mr. Wilson. Government officials say they have evidence that Mr. Shortt has met in Iran and the Soviet Union with officials of the K.G.B., the Soviet Government's intelligence service, but they do not know if Mr. Shortt is aware of the intelligence connections of his Russian associates.

The Federal investigations, which have not dealt with the computer code scheme, were considered routine until the recent emergence of Mr. Wilson as a major subject of investigations, Justice Department officials said. They added that the two investigations of Mr. Shortt had thus far proved inconclusive.

Mr. Wilson, responding to questions through his Washington attorney, John A. Keats, said that he had no recollection of the scheme to sell digital imaging processing technology to the Soviet Union. Mr. Wilson, currently a fugitive and living in Libya, also told Mr. Keats that he remembered meeting once with Mr. Shortt in 1977 but that they never did any business together.

According to Mr. Keats, Mr. Wilson thought that Mr. Shortt was connected with Mr. Terpil at the time.

Mr. Shortt, in an interview in his London office last week, denied any impropriety in his business affairs. He acknowledged a past association with Mr. Wilson, including participating in the discussions about transferring the computer code to the Soviet Union, but denied that he had ever participated in a business deal with Mr. Wilson.

He also denied having any improper association with Soviet intelligence officials, and said that his role as a middleman in sales to the Soviet Union had put him in contact with many Soviet officials and made him a natural target for suspicion.

"It's a very fine line you walk down when you're working in hostile territory," he said.

'What Is the K.G.B.?'

Asked whether he ever worked with the K.G.B., Mr. Shortt replied with a question of his own. "What is the K.G.B.?" he asked, adding that it was almost impossible to know whether Soviet officials he dealt with had intelligence connections.

Mr. Shortt continued: "Do I work for the K.G.B.? No. Would I work for the K.G.B.? No. Would I work for the K.G.B.? No."

Mr. Shortt and Mr. Wilson worked in 1976 and 1977 as marketing representatives for a California electronics company that manufactured the image processing equipment Mr. Wilson apparently hoped to sell to the Soviet Union. The company, the Stanford Technology Corporation, not related to Stanford University, is based in Sunnyvale and applied to the Commerce Department in 1976 for an export license to sell the same equipment to the Soviet Union but was subsequently denied approval, according to Defense Department officials who reviewed the application.

These officials said that, because of the military applications of the technology, the request was eventually denied by Mr. Perry, then Under Secretary of Defense for research and engineering and formerly the head of a company that Mr. Shortt and Mr. Wilson had actually come into possession of the technology.

A former Stanford Technology official said that Mr. Shortt asked him in late 1976 to "make sure" the export application "passed," an instruction that the employee, Glenn Peterson, said he interpreted as calling for him to "lie or fill out the form inaccurately." Mr. Peterson said he had left the company in large part because of Mr. Shortt's request and the attempted sale to the Soviet Union.

Mr. Shortt said he told Mr. Peterson to "prepare the information for the licensing form."

Mr. Shortt said he met Mr. Wilson and Mr. Terpil, another former C.I.A. employee indicted last year with Mr. Wilson on charges of shipping exposives to Libya, in Iran in 1976 through Albert Hakim, an Iranian businessman who controlled Stanford Technology. At that time, Stanford Technology was selling sophisticated surveillance systems as well as digital image processing equipment.

The imaging systems were designed for civilian agriculture applications, such as enhancing and interpreting data about the earth's topography and soil composition gleaned from satellites. By 1975, Iran's Ministry of Agriculture was using Stanford Technology's 101 imaging system, considered by experts to be one of the most advanced systems in the world at that time.

Through his contacts in the Soviet Union, Mr. Shortt had obtained commitments from two nonmilitary Soviet institutions to purchase the 101 system, and in late 1976 the company applied to the Commerce Department for an export license for those sales. Despite the civilian uses spelled out in the license form, Defense Department and C.I.A. officials were concerned about the potential military applications of the 101 system, according to a former Defense Department official.

These concerns, the official said, centered less on the hardware, which included a Hewlett-Packard computer and a viewing screen, than on the software, the actual programming instructions and codes. The software for the 101 can be applied to the enhancement of satellite reconnaissance information and sonar data, according to Mr. Perry.

The United States Government's reservations, which eventually led to a denial of an export license to Stanford Technology, were well known by company officials, including Mr. Shortt and Mr. Wilson, former Stanford Technology employees say.



The New York Times / Philip Taubman

David P. Shortt, a British businessman who has been active in the export of Western technology.

It was in early 1977, when Mr. Wilson was beginning to disassociate himself from Mr. Hakim and Stanford Technology, that the scheme to divert the 101 system to the Soviet Union unfolded.

A former Stanford Technology employee said in an interview that Mr. Shortt and Mr. Wilson approached him in Stanford Technology's Teheran office on three occasions in late February and early March of 1977, asking him to "appropriate" or steal the source codes, or software, for the 101 in order to sell the

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Key issues involve Federal control over such transfers, how they were made and the role of the Central Intelligence Agency in the activities of Edwin P. Wilson, a former agent. Mr. Wilson and another former agent were indicted in 1980 on charges of exporting explosives to Libya to help train terrorists. Other former C.I.A. employees have business ties to Mr. Wilson.

Previous articles have reported on Mr. Wilson's use of Green Beret troops to train terrorists in Libya, evidence that investigators say links Mr. Wilson to the suspect in the attempted murder of a Libyan student in Colorado and allegations that a company controlled by Mr. Wilson bribed a former Federal official.

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and Mr. Wilson that it would be difficult to appropriate the 101 source codes, Mr. Wilson suggested a cover story to facilitate stealing the codes. The former Stanford Technology official said he declined to steal the technology, adding that he was opposed to legal transfers of sensitive technology to the Soviet Union.

After these three conversations, in which Mr. Wilson did most of the talking and Mr. Shortt functioned as a concurring partner, according to the former employee, Mr. Shortt and Mr. Wilson never discussed the matter with him again.

United States officials say they are not sure whether the Soviet Union ever obtained the 101 system or its software, although the former Stanford Technology employee who declined to obtain the source codes for Mr. Wilson and Mr. Shortt in Iran says they could have been obtained elsewhere.

Another former associate of Mr. Wilson said that around the spring of 1977, shortly after the conversations in Iran about diverting the 101 technology to the Soviet Union through a Scottish company, Mr. Wilson did set up a company in Scotland. This company was used, among other purposes, for selling timers and detonation devices to Libya, according to this former Wilson associate, who was not familiar with the computer code diversion plan.

Mr. Shortt, in an interview, acknowledged being at the meetings where the plan to divert the computer codes was discussed, but initially said that Mr. Wilson had done the talking. Later in the interview, when asked about a specific conversation from those discussions, he said, "I don't remember who said what at this conversation."

Upon further reflection, Mr. Shortt said that his participation in the discussions about diverting the computer codes to the Soviet Union was "kind of pipe-dreaming on my part."

Mr. Shortt also said that some time later, Mr. Wilson brought two Scottish engineers who were working on detonating devices to meet with him at a London hotel to get Mr. Shortt's "technical advice," but that his association with Mr. Wilson never included any "business deal."

Later in 1977, Mr. Wilson began to disassociate himself from Stanford Technology, Mr. Terpil and Mr. Shortt. Mr. Shortt still represents, on a contractual basis, Stanford Technology, which recently reorganized under the name International Imaging Systems.

Hewlett-Packard Minicomputers

Before his affiliation in Iran with Stanford Technology, Mr. Shortt worked for Hewlett-Packard, as did Mr. Hakim. In the early 1970's Mr. Shortt headed the Vienna-based Austrian subsidiary of Hewlett-Packard, which was responsible for sales to Eastern European countries and the Soviet Union.

In 1973, two Hewlett-Packard minicomputers were re-exported from Switz-

for the unlawful transfer of the minicomputers to Czechoslovakia. The Office of Export Administration action did not mention Mr. Shortt, nor did it evaluate the national security implications of the transfer. While Mr. Shortt and Hewlett-Packard officials minimize the gain for Soviet-bloc officials in obtaining the minicomputers, some senior intelligence officials characterized the transfer as a "serious loss" of vital military-related American technology at the time.

American counterintelligence and law enforcement officials first became interested in Mr. Shortt in the early 1970's, about the time of the minicomputer transfer, Federal officials say. After leaving Vienna, Mr. Shortt went to Teheran, setting up a company, Videlcom. In 1976, Videlcom registered in Switzerland, according to Swiss public records; in 1978, it incorporated in Massachusetts, according to records on file with the Massachusetts Secretary of State, and in 1980, it registered in London, according to Mr. Shortt.

Videlcom's Activities

According to Mr. Shortt, Videlcom represents, for the most part, small to medium-sized Western companies interested in selling advanced technology to the Soviet Union and other Eastern countries. Mr. Shortt's main partner is his wife, Anne, an Iranian whose parents live in Iran and the Soviet Union. Mr. and Mrs. Shortt met several years ago in Teheran.

Mr. Shortt says he spends considerable time in the Soviet Union, as much as six months a year until recently, and that all his contacts are strictly business-related.

Federal officials say some of Mr. Shortt's past associations in Moscow and Teheran aroused their suspicion because they involved K.G.B. officials. And it was Mr. Shortt's contacts with Soviet officials in California, these officials add, that led to a counterintelligence investigation of him by the Federal Bureau of Investigation.

That investigation proved inconclusive, as did a later F.B.I. investigation into an allegation that Mr. Shortt was involved in an unspecified illicit scheme with Mr. Terpil and Mr. Wilson.

Mr. Shortt views these suspicions as an occupational hazard. He says he would not be surprised if the C.I.A. had a "big file" on him and that some Russians wrongly accuse him of Western intelligence affiliations, including a connection to Mossad, the Israeli intelligence agency.

As is often the case in intelligence matters, American officials seem to be ambivalent, if not contradictory, in their dealings with Mr. Shortt, who says he was born 42 years ago in India and is a British citizen.

An American businessman, who asked not to be identified, said the C.I.A. attempted to recruit Mr. Shortt several years ago, even though the agency has harbored suspicions about Mr. Shortt since the early 1970's. The businessman said he had declined the request of a C.I.A. official to act as an intermediary in the possible recruitment. The C.I.A. would not comment on the matter.

Mr. Shortt himself questions the validity of United States Government suspicions against him by pointing out that he and his wife are allowed the use of secretaries and telex facilities at United States offices in Moscow.

Comments by Export Regulator

The longtime head of the Export Administration, and the man most responsible for setting up the apparatus to enforce United States export laws, Rauer H. Meyer, has been a consultant to Videlcom and Mr. Shortt on several occasions since he left the Commerce Department in 1979, according to Mr. Meyer and Mr. Shortt. Mr. Meyer says he helps Mr. Shortt's United States corporate clients who have export licensing problems involving sales to the Soviet Union and Eastern-bloc countries.

Mr. Meyer, who in 1975 signed the civil enforcement action against Hewlett-Packard's Austrian unit, says he does not remember Mr. Shortt's involvement in the matter. In a telephone interview, Mr. Meyer spoke highly of Mr. Shortt and said he did not know of any questionable dealings by Mr. Short. Mr. Meyer also mentioned a recent

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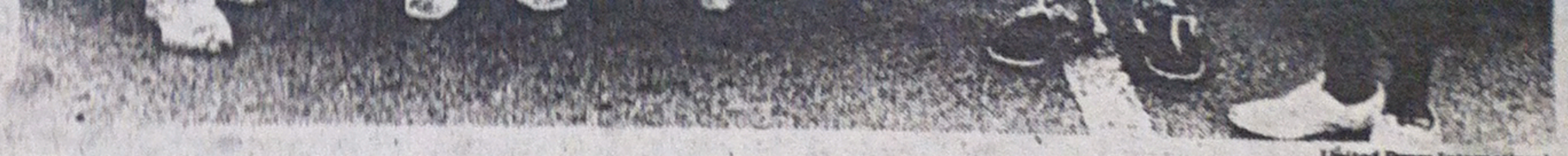
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United Press International

The five women who had been missing from a Florida boarding house are, from left; Grace Chamberlain, 63 years old, Felicia Beneteau, 65, Lillian Mizner, 74, Mary Rumford, 81, and Kathe Klaassen, 91. They were found in Detroit.

Bribe Inquiry Looks at Company of Ex-C.I.A. Aide

Continued From Page 1

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The investigation of the payments to Mr. Cyr is one sign that the Federal investigation of Mr. Wilson has widened beyond its original focus of Mr. Wilson's selling of explosives to Libya, according to Federal law enforcement officials.

Investigators say they are also looking into whether Congressmen and other Federal employees, including officials of the C.I.A., received money through Mr. Wilson. But the investigators who are following up information from Mr. Mulcahy would provide no other details.

The Federal investigation has also broadened to include an examination of Mr. Wilson's dealings with several governments, including Egypt and Iran in addition to Libya, according to law enforcement officials and Mr. Wilson's associates.

Another Wilson deal under investigation, according to the same sources, is the sale in the mid-1970's of construction equipment by the Iranian government to construction companies in the United States and elsewhere. This transaction yielded Mr. Wilson and his associates a profit of more than $25 million, according to one former Wilson associate, and also involved other former C.I.A. employees and Iranian officials in the regime of Shah Mohammed Riza Pahlevi.

Law enforcement officials say new indictments can be expected soon involving the sale by Mr. Wilson and others of 20 tons of plastic explosives and nighttime surveillance equipment to Libya. These new indictments, which will probably be sealed, go beyond an indictment last year of Mr. Wilson and another former C.I.A. employee, Frank E. Terpil. The 1980 indictment charged that they illegally made a separate shipment of explosive to Libya.

Mr. Wilson's attorney here, John A. Keats, said Mr. Wilson intended to fight the Government's charges vigorously. Mr. Keats, in an interview, also said that Mr. Wilson denied news reports that portrayed him as being involved in "gun-running" and "terrorism."

Grants of Immunity Aided Inquiry

Law enforcement officials say that the new indictments, as well as the new avenues of investigation, are a result of the increased resources assigned to the case and the prosecutors' ability to gain testimony, often in return for grants of immunity, from former Wilson associates.

While Mr. Wilson remains a fugitive from last year's charges, he met secretly with prosecutors earlier this year in an unsuccessful attempt to settle the case, according to a participant in the discussions.

The meeting, which took place last June in Rome, involved Mr. Wilson and E. Lawrence Barcella Jr., the assistant United States Attorney handling the case, according to others concerned with the case who participated in the discussion. These participants refused to discuss the meeting. But others sources said that the discussion, which touched on possible settlement of the charges, proved inconclusive.

Prosecutors have been attempting to monitor Mr. Wilson's movements since his indictment in the hope of apprehending him in a foreign country that honors the international fugitive agreement outstanding against him. They have held discussions with the Swiss authorities and Interpol officials about the possibility of extradition.

Reagan Interested in Case

In recent months President Reagan and other top officials, have expressed interest in the case, according to intelligence and law enforcement officials. The other officials, the sources say, include the assistant to the President for national security, Richard V. Allen, Attorney General William French Smith, Federal Bureau of Investigation Director William H. Webster and the director of Central Intelligence, William J. Casey.

President Reagan, these intelligence and law enforcement officials say, sent a message to Mr. Casey calling for the full cooperation of the C.I.A. in the case.

The Wilson investigation, which is being handled by the United States Attorney's office for the District of Columbia, has been plagued by delay and lack of coordination, according to prosecutors and witnesses. In part the problem was a lack of cooperation and the protection of Mr. Wilson by some of his associates, according to Mr. Mulcahy and other sources familiar with these investigations.

Earlier this year two agents of the Bureau of Alcohol, Tobacco and Firearms, who knew more about the case than other investigators, were abruptly pulled off the Wilson inquiry by their superiors. But, now, according to law enforcement officials, they are again actively involved in the investigation.

Case Is Called Complex

"It's an extraordinary case," one official said, referring to what he called the investigation's "complexity, significance and scope."

In addition to the F.B.I., the Federal effort includes the United States Customs Service, the Bureau of Alcohol, Tobacco and Firearms and the Internal Revenue Service — all part of the Treasury Department. These agencies are working in liaison with law enforcement authorities in several foreign countries, including Canada, England and Switzerland.

The Swiss police and the Royal Canadian Mounted Police are, for the most part, only assisting American investigators. However, Scotland Yard is conducting its own investigation of Mr. Wilson's activities in Britain, including the sale of British-made electronic technology to Libya.

A wide range of possible offenses are involved, including violations of the Neutrality Act, false customs declarations, failure to register as a foreign agent, illegal export and transport of arms and munitions, perjury, false declarations, bribery, fraud and conspiracy to commit murder.

Former Officials a Complication

Law enforcement officials said the investigation had been made more difficult because of the involvement of a large number of former intelligence and military officials, who in the past have often perceived their actions as being legally protected.

The chairman of the Senate Intelligence Committee, Barry Goldwater, Republican of Arizona, said in an interview that he saw "nothing new in the case" and that the committee had no plans to explore it.

Sources on the House Intelligence Committee expressed more interest. One source said the committee was "closely following" the case, including the performance of prosecutors and other officials in the executive branch.

The grand jury testimony by former Wilson associates has detailed Mr. Wilson's relationships with political and military officials in the United States as well as Europe, the Middle East and the Far East, according to Federal officials and former Wilson associates.

Case Re-opened Several Times

The Cyr matter arose from information provided to investigators some four years ago by Mr. Mulcahy. The case has been re-opened a number of times, including again this year, according to law enforcement officials.

Around 1976, Mr. Wilson controlled a complex network of corporations here and abroad, but the exact company that assertedly provided the payments to Mr. Cyr could not be learned. One of the companies, Consultants International, a Washington-based company involved in marketing and export of technology and commodities, was Mr. Wilson's principal business affiliation.

A Control Data spokesman said the company's records on its contract with Mr. Wilson's company had been turned over to the F.B.I. in 1979. The spokesman also said Control Data had no record of any procurement resulting from the three-year arrangements with Mr. Wilson, which cost Control Data less than $100,000.

Mr. Mulcahy stopped working for Mr. Wilson before the Army bugging plan was put into effect, but after an order had been placed in West Germany for sophisticated eavesdropping equipment and a meeting had been held to discuss the bugging plan, according to a former employee of Mr. Wilson.

Meeting at a Gas Station

The bugging discussion, which took place at a Virginia gas station, included an official from the Army Materiel Command, but there were no Control Data employees present, according to a former associate of Mr. Wilson.

In the Iranian construction deal, which involved former high Iranian officials, a Wilson company sold roadbuilding equipment for $100 million to the Iranian government. The government, these sources say, then sold the same equipment for $200 million to United States and foreign construction companies seeking Iranian government contracts for roadbuilding.

Prosecutors acknowledge that the Wilson case with all its sensitive intelligence implications may well raise the spectre of "graymail." That is a tactic in which defense lawyers use the threat of introducing classified information in open court to force the Government to drop or settle the charges on favorable terms.

Not only does the Wilson case involve dealings with one of this country's most vocal enemies, Libya, but the investigation has also uncovered evidence linking Mr. Wilson to top military officials in Egypt, one of the United States' most important friends in the Middle East.

Dealings With Egypt

Investigators have evidence that in the mid-1970's, after leaving the C.I.A., Mr. Wilson played a central role in trying to sell sensitive electronic equipment to Egypt, according to former Wilson associates. These associates have also told the Government that Mr. Wilson dealt frequently at this time with senior officials in the Egyptian intelligence service.

Some Federal investigators think that a few of Mr. Wilson's former associates in the C.I.A., who are currently involved in private business dealings with the Egyptian military, may still be involved with Mr. Wilson. These associates deny any current involvement with Mr. Wilson, but one of them, Thomas G. Clines, acknowledged that one of his companies was set up for him in 1978 by Mr. Wilson while he was still in the C.I.A.

In addition, notations about high Egyptian officials and one of Mr. Clines's companies that is heavily involved with the Egyptian government appear in handwritten notes made by a man charged with attempting to murder a Libyan dissident last year in Fort Collins, Colo., Federal law enforcement officials said. These officials said they had evidence that made them believe that the notes were made by the suspect, Eugene A. Tafoya, during or after a meeting with Mr. Wilson.

Earlier this year, the investigation of the Tafoya case was being handled mainly by the Fort Collins police, who found the F.B.I. unwilling to share information or cooperate, according to Federal law enforcement officials. But after recent news reports about the handling of the Tafoya case and the personal involvement of top Administration officials in the Wilson case, the cooperation increased significantly, these officials add.

Even with maximum cooperation, some officials wonder whether the Wilson case will ever reach a final resolution.

"When it's all done," one Federal law enforcement official said of the Wilson case, "we still may not know what's gone on, because of the association of so many of the people with the C.I.A."



United Press International

Secretary of State Alexander M. Haig Jr. being greeted at Belgrade airport by Foreign Minister Josip Vrhovec.

Bribe Inquiry Involves Ex-C.I.A. Aide's Company

The following article is based on reporting by Philip Taubman and Jeff Gerth and was written by Mr. Gerth.

Special to The New York Times

WASHINGTON, Sept. 12 — The Federal Bureau of Investigation is investigating an allegation that a company controlled by Edwin P. Wilson, a former employee of the Central Intelligence Agency, bribed a key Federal official with funds from the Control Data Corporation, according to Federal law-enforcement officials and a former associate of Mr. Wilson.

A spokesman for Control Data said that his company, a Minneapolis computer concern, had retained one of Mr. Wilson's companies to help Control Data gain Defense Department business.

Kevin P. Mulcahy, who worked for Mr. Wilson in 1976, has told prosecutors that some of the money that Control Data paid to the Wilson company was used that year to make monthly payments to a Federal official, Paul Cyr, according to a participant in the arrangement and Federal law enforcement officials. Mr. Cyr was head of Congressional relations for the Federal Energy Administration at the time and previously held the same post with the Army Materiel Command.

Mr. Mulcahy, a former C.I.A. employee, has also told Federal investigators that he attended a meeting with an Army procurement official and others in which a plan was discussed to gain inside information for Control Data by illegally bugging offices of the Army Materiel Command, according to investigators and a former Wilson associate.

Phone Calls Not Returned

Mr. Mulcahy does not know if the bugging plan was put into effect since he stopped working for Mr. Wilson in 1976, these sources add. But he was involved in the Control Data contract long enough, the sources said, to have personally made at least one monthly payment of more than $1,000 to Mr. Cyr, these sources add.

A spokesman for Control Data acknowledged that his company had contracted with one of Mr. Wilson's companies from 1976 to April 1979 to find military "business opportunities," but said that Control Data knew of no improprieties in the performance of that contract.

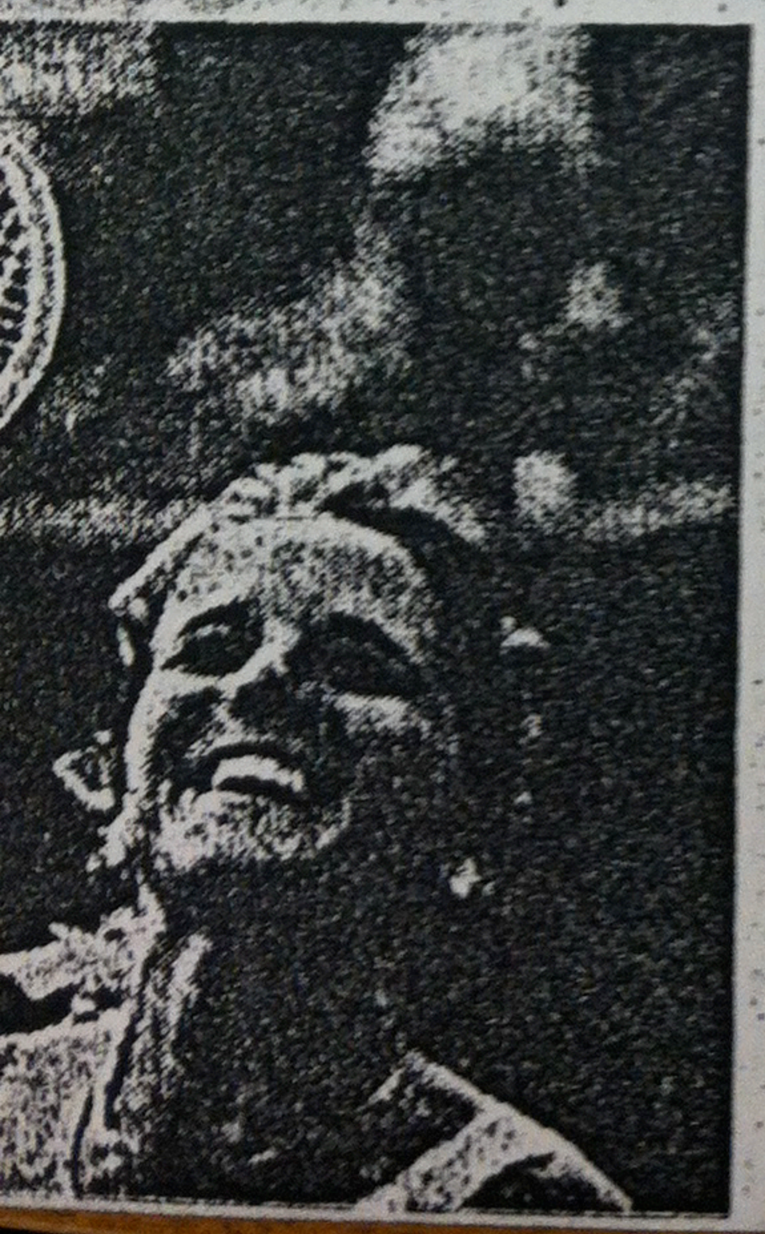
Mr. Cyr left the Department of Energy, which succeeded the Federal Energy Administration, a few years ago to become a private consultant. Reached by telephone today at his home in Fairfax Station, Va., he said, "I'm

Continued on Page 42, Column 3

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Palestinian Faction, Using Terror Tactics, Said to Fight Arafat

Special to The New York Times

WASHINGTON, Sept. 12 — A breakaway Palestinian guerrilla organization secretly backed by Syria has begun terrorist operations apparently aimed at challenging the leadership of Yasir Arafat and his mainstream Al Fatah organization, according to Administration officials and sources in the Middle East.

The group is headed by Abu Nidal, an Al Fatah dissident who split with the organization in the early 1970's. It has been identified by the Austrian authorities as responsible for the attack Aug. 29 on a Vienna synagogue in which two worshipers were killed.

Elderly Bilked And Abused,

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United Press International

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"It's an extraordinary case," one official said, referring to what he called the investigation's "complexity, significance and scope."

In addition to the F.B.I., the Federal effort includes the United States Customs Service, the Bureau of Alcohol, Tobacco and Firearms and the Internal Revenue Service — all part of the Treasury Department. These agencies are working in liaison with law enforcement authorities in several foreign countries, including Canada, England and Switzerland.

The Swiss police and the Royal Canadian Mounted Police are, for the most part, only assisting American investigators. However, Scotland Yard is conducting its own investigation of Mr. Wilson's activities in Britain, including the sale of British-made electronic technology to Libya.

A wide range of possible offenses are involved, including violations of the Neutrality Act, false customs declarations, failure to register as a foreign agent, illegal export and transport of arms and munitions, perjury, false declarations, bribery, fraud and conspiracy to commit murder.

Former Officials a Complication

Law enforcement officials said the investigation had been made more difficult because of the involvement of a large number of former intelligence and military officials, who in the past have often perceived their actions as being legally protected.

The chairman of the Senate Intelligence Committee, Barry Goldwater, Republican of Arizona, said in an interview that he saw "nothing new in the case" and that the committee had no plans to explore it.

Sources on the House Intelligence Committee expressed more interest. One source said the committee was "closely following" the case, including the performance of prosecutors and other officials in the executive branch.

The grand jury testimony by former Wilson associates has detailed Mr. Wilson's relationships with political and military officials in the United States as well as Europe, the Middle East and the Far East, according to Federal officials and former Wilson associates.

Case Re-opened Several Times

The Cyr matter arose from information provided to investigators some four years ago by Mr. Mulcahy. The case has been re-opened a number of times, including again this year, according to law enforcement officials.

Around 1976, Mr. Wilson controlled a complex network of corporations here and abroad, but the exact company that assertedly provided the payments to Mr. Cyr could not be learned. One of the companies, Consultants International, a Washington-based company involved in marketing and export of technology and commodities, was Mr. Wilson's principal business affiliation.

A Control Data spokesman said the company's records on its contract with Mr. Wilson's company had been turned over to the F.B.I. in 1979. The spokesman also said Control Data had no record of any procurement resulting from the three-year arrangements with Mr. Wilson, which cost Control Data less than $100,000.

Mr. Mulcahy stopped working for Mr. Wilson before the Army bugging plan was put into effect, but after an order had been placed in West Germany for sophisticated eavesdropping equipment and a meeting had been held to discuss the bugging plan, according to a former employee of Mr. Wilson.

Meeting at a Gas Station

The bugging discussion, which took place at a Virginia gas station, included an official from the Army Materiel Command, but there were no Control Data employees present, according to a former associate of Mr. Wilson.

In the Iranian construction deal, which involved former high Iranian officials, a Wilson company sold roadbuilding equipment for $100 million to the Iranian government. The government, these sources say, then sold the same equipment for $200 million to United States and foreign construction companies seeking Iranian government contracts for roadbuilding.

Prosecutors acknowledge that the Wilson case with all its sensitive intelligence implications may well raise the spectre of "graymail." That is a tactic in which defense lawyers use the threat of introducing classified information in open court to force the Government to drop or settle the charges on favorable terms.

Not only does the Wilson case involve dealings with one of this country's most vocal enemies, Libya, but the investigation has also uncovered evidence linking Mr. Wilson to top military officials in Egypt, one of the United States' most important friends in the Middle East.

Dealings With Egypt

Investigators have evidence that in the mid-1970's, after leaving the C.I.A., Mr. Wilson played a central role in trying to sell sensitive electronic equipment to Egypt, according to former Wilson associates. These associates have also told the Government that Mr. Wilson dealt frequently at this time with senior officials in the Egyptian intelligence service.

Some Federal investigators think that a few of Mr. Wilson's former associates in the C.I.A., who are currently involved in private business dealings with the Egyptian military, may still be involved with Mr. Wilson. These associates deny any current involvement with Mr. Wilson, but one of them, Thomas G. Clines, acknowledged that one of his companies was set up for him in 1978 by Mr. Wilson while he was still in the C.I.A.

In addition, notations about high Egyptian officials and one of Mr. Clines's companies that is heavily involved with the Egyptian government appear in handwritten notes made by a man charged with attempting to murder a Libyan dissident last year in Fort Collins, Colo., Federal law enforcement officials said. These officials said they had evidence that made them believe that the notes were made by the suspect, Eugene A. Tafoya, during or after a meeting with Mr. Wilson.

Earlier this year, the investigation of the Tafoya case was being handled mainly by the Fort Collins police, who found the F.B.I. unwilling to share information or cooperate, according to Federal law enforcement officials. But after recent news reports about the handling of the Tafoya case and the personal involvement of top Administration officials in the Wilson case, the cooperation increased significantly, these officials add.

Even with maximum cooperation, some officials wonder whether the Wilson case will ever reach a final resolution.

"When it's all done," one Federal law enforcement official said of the Wilson case, "we still may not know what's gone on, because of the association of so many of the people with the C.I.A."

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A New Harvest on Farm Policy

To win votes in Congress for his budget last spring, President Reagan promised conservative Southern Democrats, known as Boll Weevils, that he would stop opposing their effort to bolster price supports for peanut and sugar farmers.

How could the President reconcile that promise with his faith in free markets? By reneging. That, apparently, is what Mr. Reagan did last week. At the very moment he was preaching the virtues of free markets to poor nations, the House overcame the peanut and sugar interests.

The measure the House approved would end the 35-year-old acreage restrictions in the peanut industry. Only tobacco and peanuts are still protected by such a feudal arrangement: allotments are available to a relatively few farmers in a few Southern and Southwestern states. As one Illinois legislator asked: "Why can't my farmers raise peanuts? Isn't this a free land?"

The new rules would end allotments and put peanuts under the same price-support system as other commodities. That is hardly a return to free market, but it is an important step and one that should help hold down the cost of peanut butter.

As for sugar, the House voted narrowly against a price-support system that would drive raw sugar prices from 16 cents a pound to 20 cents or more. That alone would add a billion dollars a year to the cost of living. The plan is an affront to the nation's poor, who are being asked to make do with fewer food stamps, as well as to the poor abroad, who depend on the American sugar market.

Higher American prices would encourage the sale of cheaper corn sweeteners, reducing the demand for imported sugar. The plan was particularly upsetting to the leaders of the Dominican Republic, a fragile democracy that sells almost all its sugar to the United States.

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The farm bill must still wend its way through a conference with the Senate, where the White House may change its mind yet again. We hope the President resists the temptation.

He should do so for the sake of the marketplace he reveres. And he should do so for the sake of fairness. How can the nation ask sacrifice of every group if it lets farmers reap so rich a harvest of subsidies?

Rogue Elephants at Large

If the Central Intelligence Agency can punish former agents who break its rules against disclosing secrets learned on the job, why can't it do something about former spies who train foreign terrorists? The question becomes more compelling with each revelation about the exploits of Edwin Wilson and Frank Terpil. These former agents, currently fugitives from gun-running charges, have exploited their service-connected skills and credentials in the cause of terrorists like Idi Amin and Colonel Qaddafi.

Wilson and Terpil have become central figures of The Times's continuing reports about the unauthorized transfer overseas of America's advanced technology, weapons and expertise. For all their resemblance to fictional spy stories, these tales depict an alarming lack of control over lawless action, sometimes taken in the nation's name. Fortunately, Congress and some parts of the executive branch are beginning to show concern.

The reaction was swift enough three years ago when Frank Snepp, a C.I.A. official at the end of the Vietnam war, published a book about his experiences without clearing the manuscript. The Justice Department sued him for every cent the book earned and the Supreme Court upheld this method of holding former agents to their oaths of secrecy.

No such contract clause seems to prevent the C.I.A.'s alumni from exploiting their knowledge to recruit Green Berets to train guerrillas in Libya, or enlisting Government contractors in their schemes. Criminal laws prohibit sneaking military equipment and technological expertise out of the country, but there seem to have been no safeguards preventing people from being gulled into thinking the Government secretly approved such activity.

Wilson and Terpil may be the worst examples of the "retired" hired gun. Yet they are undeniably a product of their professional world, exploiting what it teaches about covert operations and disguised affiliations. Business firms and Government officials are said to have been led — or willing to be misled — into believing that they were still on official business. And there appears to have been no way for any suspicious person to check on them.

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It is one thing to countenance undercover dealings that the C.I.A. deems, even misguidedly, to be in the national interest. It is quite another to tolerate activities that directly aid despised regimes. The C.I.A. as rogue elephant is bad enough, but what protections does it offer against purported C.I.A. activity that it opposes?

Writing rules that curb the Wilsons and Terpils may prove more difficult than drafting censorship contracts. It may also be far less appealing to an Administration that wants in fact to lift the restraints on intelligence operations. But if Government fails to prevent such free-wheeling sabotage of its foreign policy and to deny such operatives their connections, the world can only conclude that they acted with official sanction.

Give Citycaid a Chance

Remember the uproar in Harlem last year over Mayor Koch's plan to close the troubled Sydenham and Metropolitan hospitals? He eventually bought some peace by persuading a campaigning Jimmy

track of medical histories and coordinate treatments. Such continuity of care may minimize duplications in testing and permit more preventive care.

So far, however, the hopes have not been real-

Letters

A Guatemalar

To the Editor:

Flora Lewis is to be commended for her chilling portrayal of government homicide in Guatemala (column O 2). Unfortunately, her description the conflict as "a sinister war ... between two cold-blooded groups seeki to dominate by terror," with the bulk the people "caught between," serious misrepresents both the popularity a the tactics of the opposition. It also nores a number of salient facts ab Guatemala, some of which have be reported in the pages of The Times.

The guerrillas, most of whom are fact Maya-Indians, have gained a substa tial following, not through indiscrim nate terror but by expressing th grievances of the long-suppressed I dian majority. Current estimates, i cluding those of The Times (May 3 place the guerrillas' Indian followi at a quarter to a third of their fightin strength, and there is every indicati that the Government's policy, which indiscriminate terror, is increasi these numbers daily.

The principal guerrilla actions — reported in Noticias de Guatemal the organ of the broad-based Nation Democratic Front Against Repr

Those Less-Than-

To the Editor:

The Reagan Administration is co sidering "broader use of polygraphs on thousands of Federal officials wi access to classified information (new story Oct. 9). Yet the best recent r search shows that the lie detector wrong about one-third of the time, a the more enlightened states are ba ning its use for screening employees.

This practice has been illegal Minnesota since 1976, and similar law have recently been passed in Michiga and Ohio. The Subcommittee on Ove sight of the House Permanent Sele Committee on Intelligence discover in hearings held in 1979 that there ha been no research at all on the accuracy of the type of screening test employe by C.I.A. and N.S.A. To rely on th pseudoscientific polygraph test in lie of competent background investigatio is a dangerous form of false economy.

Moreover, since highly socialize conscientious persons have been show to be especially likely to fail the lie-d tector test, even though truthful — an truthful suspects have more than a 4 percent chance of failing police-typ polygraph tests — reliance on poly graph screening is likely to have th additional effect of loading our securit agencies with poorly socialized types.

The Income Tax by A

To the Editor:

"When Congress chose to impose an income tax on all income-earning units," says a Sept. 28 letter, "it starte a system that was completely compat ible with the biblical ideas of sharing tithing and communal support."

Without getting involved in biblica scholarship, I wish to insist that the in come tax is not at all compatible wit sharing, tithing and communal sup port: it is closer to extortion, robbery and forced labor.

Sharing implies consent, as does tith ing. Even communal support, as in a kibbutz, requires voluntary coopera tion: no one is coerced into the arrange ment. What the income tax involves is the expropriation of part of what one has earned honestly, on grounds that "our" representatives have agreed that this may be done with impunity. All it proves is that government has the power to do what many lesser-



Associated Press

Marian W. Zacharski

POLE GOES TO TRIAL ON COAST AS A SPY

Ex-Engineer at Hughes Pleads Guilty and Is Expected to Be Key State Witness

By JUDITH CUMMINGS
Special to The New York Times

LOS ANGELES, Oct. 14 — A spy trial that underscores the growing problem of espionage in California's military technology industry opened in Federal court here this week.

The case, focused on the sale of secret information important to national security, was left with only one defendant after a guilty plea was entered by William Holden Bell, a former projects engineer with Hughes Aircraft. The remaining defendant is suspected of being a Polish spy.

As described by American officials, the case is rich with the elements of a spy novel: A 61-year-old engineer is trained by the effort of providing the good life for his new family in a seaside condominium. He is befriended by a compatible young neighbor who eventually offers cash and gold in exchange for documents on some of Hughes Aircraft's latest weapons and radar systems.

The Technology Margin: Illegal Exports Reduce U.S. Advantage

By EDWARD T. POUND
Special to The New York Times

WASHINGTON, Oct. 14 — The disclosure that two former American intelligence agents attempted to divert military-related technology abroad has focused attention on a problem with serious national security implications: the Government's failure to assure that its advanced technology does not leave this country illegally.

News Analysis

One of the inconsistencies emerging from the activities of the former agents, Edwin P. Wilson and Frank E. Terpil, is the major imbalance between the billions spent to develop sophisticated technology and the relatively limited Government resources devoted to controlling its loss to other nations, including the Soviet Union.

It has long been clear that the investment in research and development of computers, microelectronics, lasers and other advanced technology by the Defense Department and private industry is critically important to national security. American officials have said that the United States' technological edge had allowed it to stay ahead, or abreast, of the Soviet Union in military capabilities.

American Lead Held Reduced

Recently, however, the Defense Department concluded that "the Soviets have dramatically reduced the U.S. lead in virtually every important basic technology."

Some of the Russians' technological gains were obtained legally, but some were doubtless obtained illegally, according to American specialists. Nonetheless, officials in the intelligence agencies, the Customs Service and the Commerce Department, which licenses many technology exports, said that the Government only recently assigned a high priority to investigating illegal sales of technology to unfriendly nations. They said they were beginning to put more resources into the effort.

Some officials said that the enforcement program was still understaffed. They noted that the Commerce Department had only a relative handful of investigators and inspectors, and the Customs Service had not devoted enough resources to inspect outbound shipments on a sustained basis. Reagan Administration officials said that they were uncertain how much technology, both data and equipment, was reaching the Soviet Union illegally but that they had evidence the Russians had stepped up their covert procurement activities in this country and abroad.

Agents' Maneuvers Unavailing

The Wilson-Terpil case has helped focus attention on the inadequacies in the Government's safeguards against illegal leakage.

From what is known of their activities, Mr. Wilson and Mr. Terpil were generally unsuccessful in their attempts to export technology abroad, although not primarily because of Government enforcement actions.

Both men left the Central Intelligence Agency in the 1970's and went to work for Libya to train terrorists. They are now under Federal indictment for allegedly shipping explosives to that country, with which the United States has a belligerent relationship.

According to former associates, in 1977 Mr. Wilson also tried to obtain and divert to the Soviet Union an American computer program used in electronic intelligence gathering and reconnaissance.

A former employee of the Stanford Technology Corporation, a California electronics company with which Mr. Wilson had been associated, said that the former agent asked him to steal the computer program. The employee said he refused to do so. It is not clear whether Mr. Wilson was able to obtain the program by other means or whether it reached the Soviet Union.

Furthermore, Mr. Wilson and Mr. Terpil were said to have used their intelligence connections and knowledge in attempts to help Stanford Technology market restricted electronic warfare equipment to Middle Eastern nations in the 1970's. Mr. Wilson and Mr. Terpil had left the Central Intelligence Agency by the time they went to work for Stanford Technology. But they told company executives they still worked for the agency, and these executives concede that that was one of the reasons they were selected as salesmen.

Some senior intellignece officials, after reviewing the Wilson-Terpil case, have said it was especially striking that the flow of technology abroad was being aided by former American intelligence agents. The case is particularly dramatic, they said, but illustrates what can happen when former agents turn their expertise against the Government that trained them.

Actions of Former Agents

Many other former intelligence agents, military aides and other specialists work in the technology field in what has been described as a kind of uneasy marriage of intelligence connections and private enterprise. For example, Rauer H. Meyer, who headed the Government's Export Administration for many years and was the man most responsible for setting up the apparatus to enforce United States export laws, left the Government in 1979 and went to work as a consultant for a company that acts as a go-between for sales of high technology to the Soviet Union. The head of this company, Videlcom, based in Geneva and London, was involved with Mr. Wilson in the scheme to sell the computer program to the Russians.

Intelligence officials say they are concerned about the lack of control over the business dealings of former agents and bureaucrats. The House Select Committee on Intelligence is planning to review the problem as part of an investigation of Mr. Wilson's activities.

Others in Congress are also showing growing interest in the effectiveness of laws governing both the export of technology and of military equipment. Alarmed by the activities of Mr. Wilson and Mr. Terpil in Libya, Senator Lloyd Bentsen, a Texas Democrat, introduced a bill last month to prohibit United States citizens from aiding international terrorists.

Committees Examining Security

Both the Senate Select Committee on Intelligence and the Senate Foreign Relations Committee are attempting to assess the seriousness of illegal technology transfers, with the goal of proposing corrective legislation. The Central Intelligence Agency recently completed a secret study on the problem and supplied its findings to the intelligence committee.

One question Congress may have to decide is whether to provide for closer monitoring of the small companies that design and manufacture sophisticated equipment. According to senior intelligence officials, security is often lax at such companies. This vulnerability, they said, could make it relatively easy for unfriendly countries to gain access to restricted equipment and designs.

As matters stand, the Government maintains close supervision over large defense contractors. They and their employees are required to go through stiff security clearances, and the companies face the loss of billions of dollars in Government contracts if they violate export or national security laws.

The smaller companies, many of which do not have security clearances, operate under fewer constraints and may be willing to take chances to make profitable sales.

The Stanford Technology Corporation, for example, never received a security clearance because it was owned by a foreigner. Nevertheless, the company, in the heart of northern California's electronics area, was able to assemble a team of well-qualified engineers.

Recently, a judge in San Jose, Calif., in sentencing a businessman accused of heading a theft ring suspected of diverting secret electronics designs to the Soviet Union, complained about an industry whose "security and self-protection is abominable."

Justice Department officials said that areas like that in northern California and outside Boston, where there is a high concentration of technology development companies but relatively limited security precautions, provided a fertile territory for foreign powers, including the Soviet Union, to monitor American research developments.

Competitive Urge Controlling

Federal officials said it was difficult, in an open society, to prevent this kind of monitoring. And officials of the Federal Bureau of Investigation said they were often amazed at the naiveté of corporate executives, operating in a competitive economy, about detecting and stopping efforts to penetrate corporate secrets.

Government officials involved in the control of commercial exports noted that the United States no longer maintains a monopoly on technology, and that Japan and some Western European countries have made rapid advances. This, they say, underlines the importance of Washington's improving coordination with its allies.

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The Technology Margin: Illegal Ex

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Continued on Page D17, Column 1

Ex-C.I.A. Men Joined U.S. Company to Sell Technology Overseas

This article is based on reporting by Philip Taubman and Jeff Gerth and was written by Mr. Taubman.

Special to The New York Times

WASHINGTON, Oct. 12 — Two former agents of the Central Intelligence Agency joined forces with a small California electronics company in the 1970's in an effort to market sensitive American technology abroad, according to current and former company executives and company documents.

The former agents, Edwin P. Wilson and Frank E. Terpil, were indicted last year on charges of illegally shipping explosives to Libya and are now fugitives living abroad.

The California company, the Stanford Technology Corporation, apparently provided a legitimate base for some of Mr. Wilson's and Mr. Terpil's questionable transactions.

For example, they used the name of a Stanford Technology subsidiary, without the knowledge of company officials, to negotiate a deal to train terrorists in Libya and to sell military supplies to Idi Amin, then the leader of Uganda, according to Federal investigators and former associates of Mr. Wilson.

For its part, Stanford Technology, which had no association with Stanford University, hoped that the former agents would use their intelligence connections to generate business and gain Government approval for the compa-

Continued on Page B14, Column 1

GLORIA: Thank heavens I don't have to come round to your place any more. I've been to Granada and rented my own TV and VCR. It's even cheaper than you are. So long, Bernie.—ADVT.



A fourth gunman, at extreme left, ran towa
stand wall where President Sadat and

Two gunmen, still unimpeded by bodygu
down at President Sadat. Some people on

Ex-C.I.A. Men Joined Company to Try to Sell Sensitive Technology Abroad

Continued From Page 1

ny's exports, company officials said. Mr. Wilson and Mr. Terpil had left the C.I.A. by the time they joined Stanford Technology as salesmen, but they said they still worked for the agency, and company officials say they believed it.

The relationship between the company and the former agents did not, in the end, lead to much business for either, and Stanford Technology executives now say Mr. Wilson and Mr. Terpil created more trouble than business. But the relationship illustrates a twilight area of international commerce where some of the world's most sensitive and secret technology is traded purely for profit, with only limited control by the Federal Government.

The authorities say they are concerned about the apparent inability of the Government to monitor and prevent the unauthorized export of American military technology and to control the activities of its former agents. These issues are now being investigated by the House Select Committee on Intelligence.

Stanford Technology had offices in Sunnyvale, Calif., in the heart of the Silicon Valley, where some of the nation's most sophisticated electronic and computer hardware is designed and manufactured. Earlier this year, as part of a reorganization, the company became a subsidiary of Analog Devices, a large electronics manufacturer. There is no evidence that Analog Devices knew of Mr. Wilson's and Mr. Terpil's association with Stanford Technology.

Before the two agents became affiliated with Stanford Technology the company had already engaged in transactions that raised foreign policy and export questions.

In 1975, Stanford Technology sold Iran a sophisticated electronic surveillance system that Shah Mohammed Riza Pahlevi planned to use to spy on the communications of his top military commanders, according to former employees of the company. American intelligence officials later said the equipment should not have been approved for export because of its advanced technology.

The principal owner of Stanford Technology, an Iranian businessman, operated a company in Teheran that provided Iranian Government officials with instructions about how they could disguise sophisticated electronic equipment like the surveillance system sold by Stanford Technology and avoid export licensing problems in the United States by assembling the systems outside America. The owner declined to be interviewed.

Radar Deal Sabotaged

Also in 1975, Stanford Technology put together a proposal to bid for a Turkish contract for an advanced radar warning



The New York Times / Jane Alex-Perry

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The attempts to sell equipment in the Soviet Union and the Middle East suggest that the international commercial ambitions of Mr. Wilson and Mr. Terpil reached far beyond the specific deal that Federal authorities say they concluded with Libya in 1976, to sell their expertise in intelligence, arms and explosives to the North African Arab nation for the training of terrorists.

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The company had no trouble in obtaining an export license for the RS-25, according to company executives. However, months later, when officials of the Central Intelligence Agency examined design specifications for the system, they told Stanford Technology officials that they were surprised at the advanced state of the technology and expressed doubts about whether it should have been approved for export.

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Training Deals Negotiated

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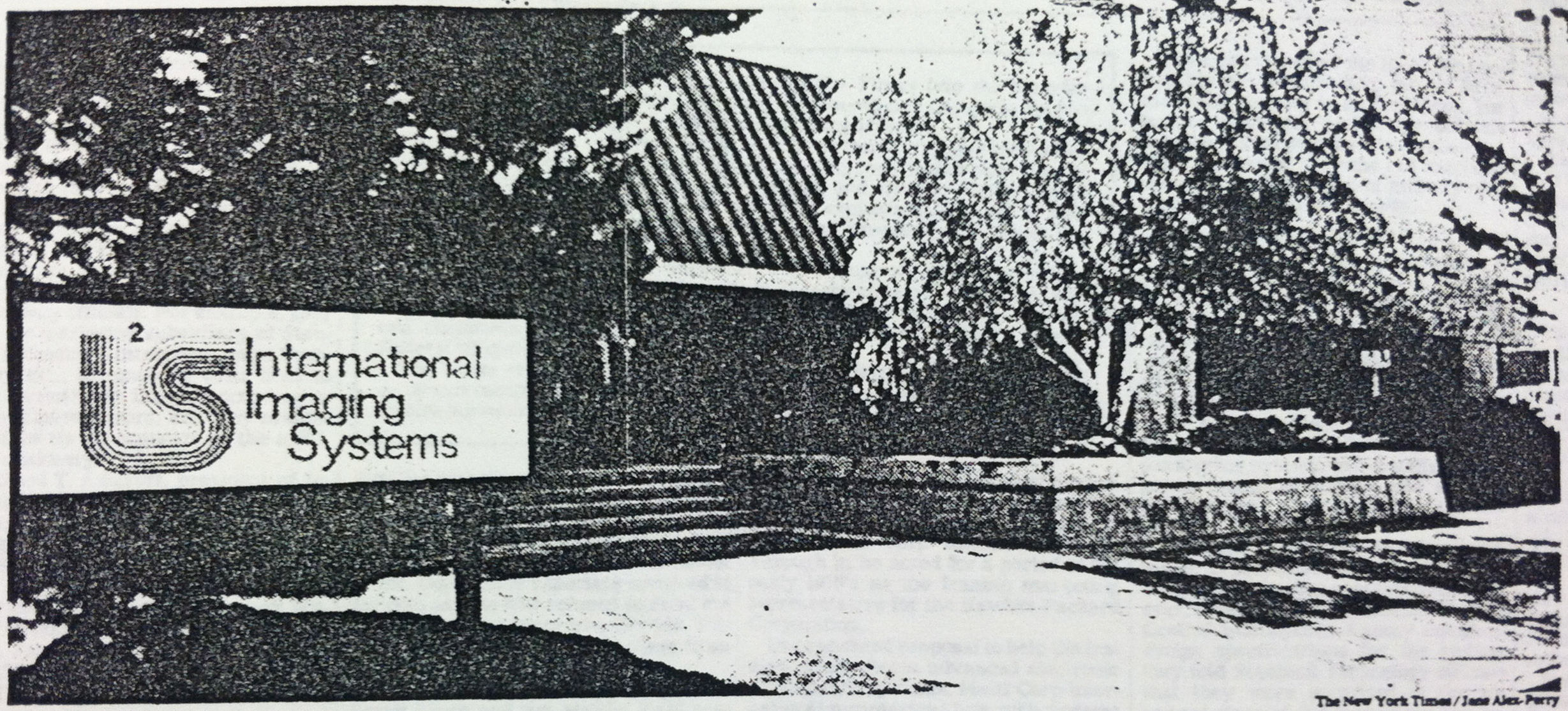
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In May 1976, Mr. Wilson used his intelligence connections in an attempt to help Stanford Technology gain an export license for the sale of restricted radar jamming equipment to Egypt, according to one of his former business associates.

Specifically, Mr. Wilson arranged a meeting at the Bethesda, Md., home of Theodore G. Shackley, then a senior officer in the intelligence agency's clandestine services, Kevin P. Mulcahy, a business associate of Mr. Wilson's at the time, says the meeting was arranged to solicit the aid of Mr. Shackley and the C.I.A. in persuading the State Department to issue an export license.

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ny's exports, company officials said. Mr. Wilson and Mr. Terpil had left the C.I.A. by the time they joined Stanford Technology as salesmen, but they said they still worked for the agency, and company officials say they believed it.

The relationship between the company and the former agents did not, in the end, lead to much business for either, and Stanford Technology executives now say Mr. Wilson and Mr. Terpil created more trouble than business. But the relationship illustrates a twilight area of international commerce where some of the world's most sensitive and secret technology is traded purely for profit, with only limited control by the Federal Government.

The authorities say they are concerned about the apparent inability of the Government to monitor and prevent the unauthorized export of American military technology and to control the activities of its former agents. These issues are now being investigated by the House Select Committee on Intelligence.

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Before the two agents became affiliated with Stanford Technology the company had already engaged in transactions that raised foreign policy and export questions.

In 1975, Stanford Technology sold Iran a sophisticated electronic surveillance system that Shah Mohammed Riza Pahlevi planned to use to spy on the communications of his top military commanders, according to former employees of the company. American intelligence officials later said the equipment should not have been approved for export because of its advanced technology.

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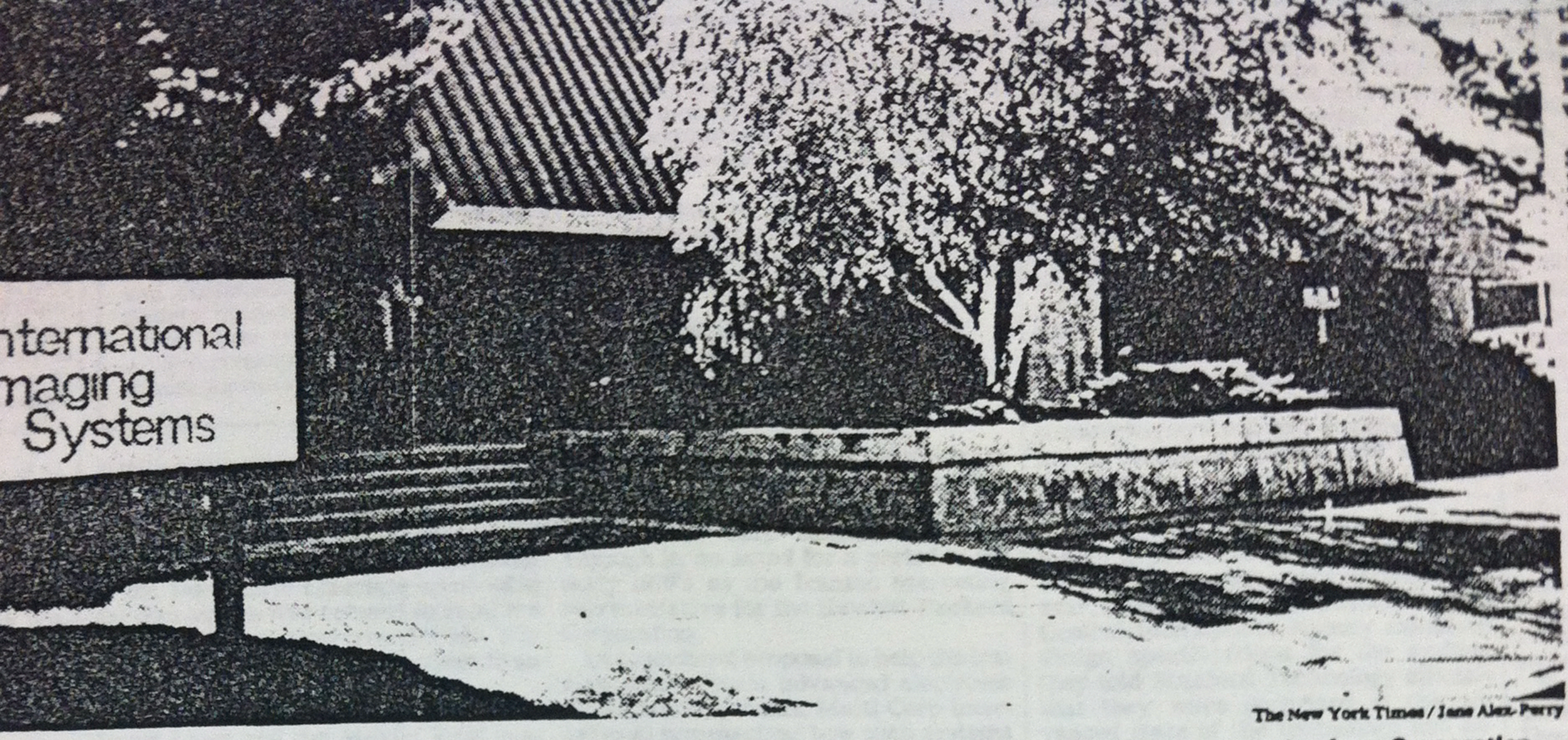
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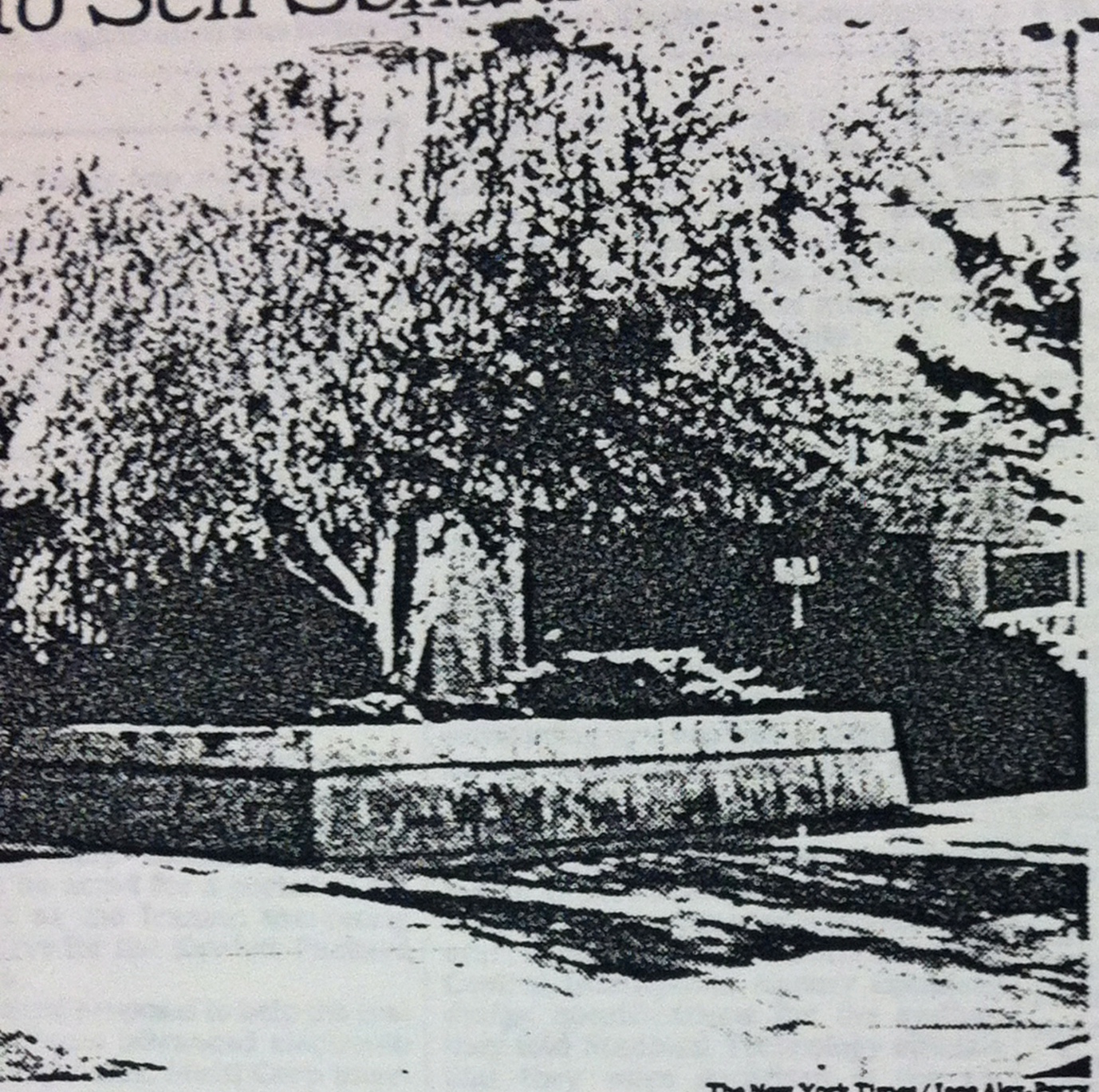
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Radar Deal Sabotaged

Also in 1975, Stanford Technology put together a proposal to bid for a Turkish contract for an advanced radar warning system. At that time American arms sales to Turkey were banned because the Turks had invaded Cyprus, using United States-supplied military equipment in violation of a pact on how those arms were to be used. A company engineer who worked on the Turkish proposal said that, in light of the ban, he sabotaged the deal by watering down the proposal so it would be unacceptable to the Turks.

After Mr. Wilson and Mr. Terpil became affiliated with Stanford Technology in 1976, they arranged for Stanford Technology's parent corporation in Switzerland to construct a building to house computers in Libya. The construction project, worth $500,000, was designed to house an I.B.M. computer obtained by the Libyan Ministry of Interior for maintaining files on Libyan citizens. Mr. Terpil advanced $100,000 for the financing of the project from income he had received as part of a contract he and Mr. Wilson had obtained to train terrorists in Libya, according to a former Stanford Technology employee.

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A Federal investigation of Mr. Wilson and Mr. Terpil, which includes inquiries into possible bribery of Government officials, the use of Army Special Forces veterans to train terrorists in Libya and the possible involvement of Mr. Wilson in the attempted assassination of a Libyan student in Colorado last year, has not focused on the Stanford Technology connection, according to Justice Department officials.

Senior officials in the Reagan Administration, including Secretary of Defense Caspar W. Weinberger, say they are increasingly concerned that the transfer of technology abroad may undermine American superiority in military technology, one area in which the United States is considered to hold a critical edge over the Soviet Union.

In 1977, Mr. Wilson, working with Stanford Technology employees, attempted to divert restricted American computer technology to the Soviet Union, according to former associates familiar with the effort. The plan called for stealing computer programming codes for a highly sophisticated American image processing system in Iran and then selling the codes to the Soviet Union. One former associate involved in the plan said he had refused to steal the codes but did not know whether Mr. Wilson had eventually obtained them from some other source.

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The association of Mr. Wilson and Mr. Terpil with Stanford Technology represents the kind of uneasy marriage of intelligence connections and private enterprise that is common among former intelligence agents, according to Federal officials. Such attempts to capitalize on information and connections acquired while working for the Government arouse the concern of senior intelligence officials. Staff members say the House Intelligence Committee, which is investigating the activities of Mr. Wilson and Mr. Terpil, plans to take a careful look at the problem.

Company Involved Since 70's

Stanford Technology's involvement in this mixture of business and intelligence dates to the early 1970's. The company's founder and principal owner was Albert Hakim, an Iranian businessman. Mr. Hakim sold his interest in the company to Analog Devices but kept the name Stanford Technology to operate a new business in Campbell, Calif.

Before the establishment of Stanford Technology as a Geneva-based company with a United States subsidiary in 1974, Mr. Hakim did business primarily through an Iranian company he owned called Multi Corp International Ltd. Through it, he acted for a period in the early 1970's as the Iranian marketing representative for the Hewlett-Packard Corporation.

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License Difficulties Avoided

"The approach is useful to avoid some export licensing difficulties," the document continues. "An example of this last point, the export of transportable jamming equipment from the U.S., is difficult, but the purchase and export of transmitters, computers, synthesizers and shelters — all as separate items — is not difficult, but it does require the customer to assemble the system."

In 1974, according to public records in Switzerland and Delaware, Mr. Hakim founded Stanford Technology. Former employees said the company had been created specifically to take advantage of a deal negotiated by Mr. Hakim with Gen. Mohammed Khatemi, thecommander in chief of the Iranian Air force and the husband of the Shah's half-sister.

The deal, worth about $7.5 million, involved the purchase by the air force of a sophisticated electronic surveillance system to be designed and manufactured by Stanford Technology.

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Mr. Terpil and Mr. Wilson entered the picture not long after the company was founded and while the RS-25 system was being built, according to former company officials. Mr. Terpil joined Stanford Technology first, as an international salesman in early 1975, when the company hired Intercontinental Technology as its marketing representative.

Mr. Terpil was president of Intercontinental, according to company records. Later that year, Stanford Technology purchased Intercontinental Technology, making it a wholly owned subsidiary. Intercontinental Technology was based in Washington, with offices in Geneva, London and Sunnyvale.

Doubts About Association

It is not clear whether Mr. Wilson first became associated with Stanford Technology through Mr. Terpil or Mr. Hakim. One former associate of Mr. Hakim and Mr. Wilson recalled a meeting in a Teheran hotel at which Mr. Hakim told Mr. Wilson that he could make the former C.I.A. agent wealthy Technology for some of the Federal investigators said. Later, 1977, Mr. Wilson used Intercontinental Technology's Geneva office for payment of former Army Special Forces troops, or Green Berets, he had recruited to train terrorists in Libya, according to several participants in the operation.

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In May 1976, Mr. Wilson used his intelligence connections in an attempt to help Stanford Technology gain an export license for the sale of restricted radar jamming equipment to Egypt, according to one of his former business associates.

Specifically, Mr. Wilson arranged a meeting at the Bethesda, Md., home of Theodore G. Shackley, then a senior officer in the intelligence agency's clandestine services. Kevin P. Mulcahy, a business associate of Mr. Wilson's at the time, says the meeting was arranged to solicit the aid of Mr. Shackley and the C.I.A. in persuading the State Department to issue an export license.

Mr. Shackley, according to Mr. Mulcahy, told him to route the request through the agency's downtown Washington office where public contacts with the C.I.A. are handled. State Department officials said the department never approved the export application.

Mr. Terpil was dismissed by Stanford Technology in 1976, a former company executive said. It is not clear when Mr. Wilson's relationship with the company ended, but company officials said he and Mr. Hakim parted ways in 1977.



The New York Times / Jane Alex-Perry

Offices of International Imaging Systems in Sunnyvale, Calif., the heart of Silicon Valley. Organization was formerly the Stanford Technology Corporation.

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The Times reported Sunday on efforts by Mr. Wilson to sell restricted American computer technology to the Soviet Union and on the activities of a British businessman with ties to both Mr. Wilson and the Soviet Union.

4 Fail in Escape Attempt

MARION, Ill., Oct. 12 (UPI) — Four prisoners made an abortive attempt to escape from the Marion Federal Penitentiary, the Federal Bureau of Investigation said today. The four sawed through cell bars, battered down a door and broke a window in making their way to the prison roof, an bureau spokesman said. Three were apprehended on the roof and the fourth received a superficial gunshot wound as he attempted to climb a fence.



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the Government to monitor and prevent the unauthorized export of American military technology and to control the activities of its former agents. These issues are now being investigated by the House Select Committee on Intelligence.

Stanford Technology had offices in Sunnyvale, Calif., in the heart of the Silicon Valley, where some of the nation's most sophisticated electronic and computer hardware is designed and manufactured. Earlier this year, as part of a reorganization, the company became a subsidiary of Analog Devices, a large electronics manufacturer. There is no evidence that Analog Devices knew of Mr. Wilson's and Mr. Terpil's association with Stanford Technology.

Before the two agents became affiliated with Stanford Technology the company had already engaged in transactions that raised foreign policy and export questions.

In 1975, Stanford Technology sold Iran a sophisticated electronic surveillance system that Shah Mohammed Riza Pahlevi planned to use to spy on the communications of his top military commanders, according to former employees of the company. American intelligence officials later said the equipment should not have been approved for export because of its advanced technology.

The principal owner of Stanford Technology, an Iranian businessman, operated a company in Teheran that provided Iranian Government officials with instructions about how they could disguise sophisticated electronic equipment like the surveillance system sold by Stanford Technology and avoid export licensing problems in the United States by assembling the systems outside America. The owner declined to be interviewed.

Radar Deal Sabotaged

Also in 1975, Stanford Technology put together a proposal to bid for a Turkish contract for an advanced radar warning system. At that time American arms sales to Turkey were banned because the Turks had invaded Cyprus, using United States-supplied military equipment in violation of a pact on how those arms were to be used. A company engineer who worked on the Turkish proposal said that, in light of the ban, he sabotaged the deal by watering down the proposal so it would be unacceptable to the Turks.

After Mr. Wilson and Mr. Terpil became affiliated with Stanford Technology in 1976, they arranged for Stanford Technology's parent corporation in Switzerland to construct a building to house computers in Libya. The construction project, worth $500,000, was designed to house an I.B.M. computer obtained by the Libyan Ministry of Interior for maintaining files on Libyan citizens. Mr. Terpil advanced $100,000 for the financing of the project from income he had received as part of a contract he and Mr. Wilson had obtained to train terrorists in Libya, according to a former Stanford Technology employee.

In 1976, Mr. Wilson obtained the help of a senior C.I.A. official in an effort to gain Government approval for the export of sensitive electronic warfare equipment from Stanford Technology to Egypt, according to a former associate of Mr. Wilson. He also arranged for the Iranian owner of Stanford Technology to meet with the same C.I.A. official, according to a former company employee. The deal was never struck.

Some of Mr. Wilson's and Mr. Terpil's transactions involving Stanford Technology were done without the knowledge of company officials. For example, they used the marketing subsidiary of Stanford Technology, Intercontinental Technology Inc., to conclude their deal to train terrorists in Libya, according to Federal investigators, and they eventually drew up the contract on the affiliate's stationery.

Richard T. Ashcroft, president of International Imaging Systems and head of Stanford Technology before the name change, minimized the involvement of Mr. Wilson and Mr. Terpil in the company's affairs. "Stanford Technology never obtained a contract through Wilson," he said in an interview.

Mr. Ashcroft acknowledged that Mr. Terpil had generated business for Stanford Technology.

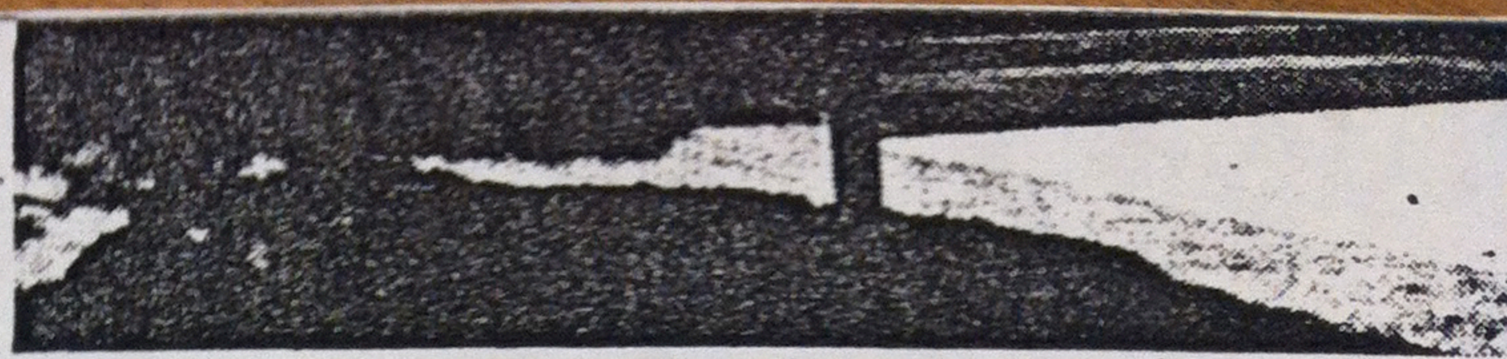
Subsidiary's Involvement Denied

John N. Adams, a vice president of International Imaging, said in an interview that the American-based subsidiary of his company was not involved in deals with Mr. Wilson and Mr. Terpil that were consummated and that other questionable transactions were handled by Stanford Technology's parent company in Switzerland, the Stanford Technology Corporation, S.A.

A Federal investigation of Mr. Wilson and Mr. Terpil, which includes inquiries into possible bribery of Government officials, the use of Army Special Forces veterans to train terrorists in Libya and the possible involvement of Mr. Wilson in the attempted assassination of a Libyan student in Colorado last year, has not focused on the Stanford Technology connection, according to Justice Department officials.

Senior officials in the Reagan Administration, including Secretary of Defense Caspar W. Weinberger, say they are increasingly concerned that the transfer of technology abroad may undermine American superiority in military technology, one area in which the United States is considered to hold a critical edge over the Soviet Union.

In 1977, Mr. Wilson, working with Stanford Technology employees, attempted to divert restricted American computer technology to the Soviet Union, according to former associates



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The attempts to sell equipment in the Soviet Union and the Middle East suggest that the international commercial ambitions of Mr. Wilson and Mr. Terpil reached far beyond the specific deal that Federal authorities say they concluded with Libya in 1976, to sell their expertise in intelligence, arms and explosives to the North African Arab nation for the training of terrorists.

The association of Mr. Wilson and Mr. Terpil with Stanford Technology represents the kind of uneasy marriage of intelligence connections and private enterprise that is common among former intelligence agents, according to Federal officials. Such attempts to capitalize on information and connections acquired while working for the Government arouse the concern of senior intelligence officials. Staff members say the House Intelligence Committee, which is investigating the activities of Mr. Wilson and Mr. Terpil, plans to take a careful look at the problem.

Company Involved Since 70's

Stanford Technology's involvement in this mixture of business and intelligence dates to the early 1970's. The company's founder and principal owner was Albert Hakim, an Iranian businessman. Mr. Hakim sold his interest in the company to Analog Devices but kept the name Stanford Technology to operate a new business in Campbell, Calif.

Before the establishment of Stanford Technology as a Geneva-based con



The New York Times / Jose Nino Perez

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Before the establishment of Stanford Technology as a Geneva-based company with a United States subsidiary in 1974, Mr. Hakim did business primarily through an Iranian company he owned called Multi Corp International Ltd. Through it, he acted for a period in the early 1970's as the Iranian marketing representative for the Hewlett-Packard Corporation.

In an undated proposal to help the Iranian Army obtain advanced electronic surveillance systems, Multi Corp International summarized how such systems could be exported piecemeal and assembled abroad to disguise their capabilities.

The document, a copy of which was made available by a former Stanford Technology employee, stated that this method of obtaining equipment could "mask or render secure the real system that is being assembled."

License Difficulties Avoided

"The approach is useful to avoid some export licensing difficulties," the document continues. "An example of this last point, the export of transportable jamming equipment from the U.S., is difficult, but the purchase and export of transmitters, computers, synthesizers and shelters — all as separate items — is not difficult, but it does require the customer to assemble the system."

In 1974, according to public records in Switzerland and Delaware, Mr. Hakim founded Stanford Technology. Former employees said the company had been created specifically to take advantage of a deal negotiated by Mr. Hakim with Gen. Mohammed Khatemi, thecommander in chief of the Iranian Air force and the husband of the Shah's half-sister.

The deal, worth about $7.5 million, involved the purchase by the air force of a sophisticated electronic surveillance system to be designed and manufactured by Stanford Technology.

The system, called the RS-25, was ostensibly designed to help the air force maintain security in its operations, but former Stanford Technology officials said the actual purpose was to allow the Shah to monitor the radio and telephone conversations of Iranian military officials to check on their loyalty.

Order Is Modified

The system had three components: base station, mobile vans to monitor radio signals and a telephone monitoring system capable of intercepting recording and analyzing 4,500 calls simultaneously. Midway through production, General Khatemi was killed in a hang-glider accident, and a reshuffling of the air force command led to a modification in the order. Only the telephone monitoring system was installed in Teheran, company officials said, and it is not clear how it was used by the Iranians.

The company had no trouble in obtaining an export license for the RS-25, according to company executives. However, months later, when officials of the Central Intelligence Agency examined design specifications for the system they told Stanford Technology officials that they were surprised at the advanced state of the technology and expressed doubts about whether it should have been approved for export.

A former Stanford Technology official who worked on the RS-25 system said in an interview that the company's applications for export approval, while accurately listing the components, had not conveyed the sophistication of the whole system.

Mr. Terpil and Mr. Wilson entered the picture not long after the company was founded and while the RS-25 system was being built, according to former company officials. Mr. Terpil joined Stanford Technology first, as an international salesman in early 1975, when the company hired Intercontinental Technology as its marketing representative.

Mr. Terpil was president of Intercontinental, according to company records. Later that year, Stanford Technology purchased Intercontinental Technology, making it a wholly owned subsidiary. Intercontinental Technology was based in Washington, with offices in Geneva, London and Sunnyvale.

Doubts About Association

It is not clear whether Mr. Wilson became associated with Stanford Technology through Mr. Terpil or Mr. Hakim. One former associate of Mr. Hakim and Mr. Wilson recalled a meeting in a Teheran hotel at which Mr. Hakim told Mr. Wilson that he could make the former C.I.A. agent wea



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The New York Times / Jane Alex-Perry

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Technology for some of the
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1977, Mr. Wilson used Intercontinental Technology's Geneva office for payment of former Army Special Forces troops, or Green Berets, he had recruited to train terrorists in Libya, according to several participants in the operation.

On Aug. 3, 1977, Mr. Terpil concluded a $3.2 million contract to sell arms, explosives and communications equipment to President Idi Amin of Uganda. The contract was drawn up on Intercontinental Technology stationery, according to Federal investigators.

Stanford Technology officials were apparently unaware of the transactions.

One former executive of the company said he regreted the day Stanford Technology hired Mr. Terpil and, through him, became associated with Mr. Wilson. The executive said company officials had assumed that both men were still linked to the C.I.A.

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4 Fail in Escape Attempt

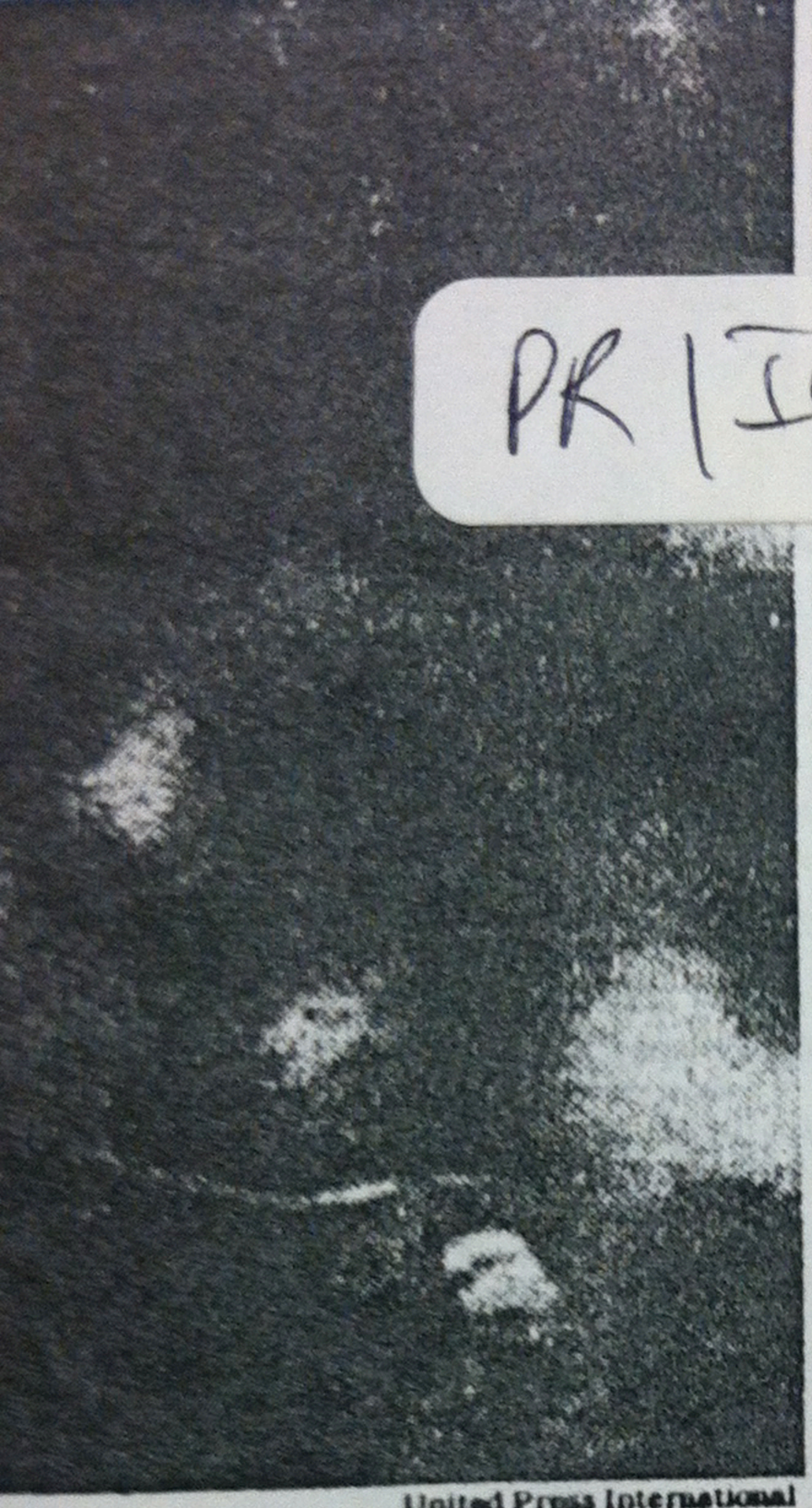
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In two incidents this week — one in the southern city of Katowice, the other in the southwestern city of Wroclaw — policemen seized Solidarity members disseminating what the authorities called anti-Soviet or anti-state views.

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United Press International

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Continued on Page 4, Column 1

BUSINESSMAN TIED TO TERRORIST PLOT

Indicted With Ex-C.I.A. Agents in Training Project in Libya

By STUART TAYLOR Jr.
Special to The New York Times

WASHINGTON, Oct. 23 — A Federal indictment was made public today accusing a 38-year-old Virginian of shipping explosives to Libya and training terrorists there as part of a conspiracy headed by two former Central Intelligence agents.

The 10-count indictment also broadened the charges against the two former agents, Edwin P. Wilson and Frank E. Terpil, to include a shipment of explosives to Libya in April 1977. The last shipment listed in the original, April 1980, indictment of Mr. Wilson and Mr. Terpil on the explosives charges took place in August 1976.

The charges against the new defendant, Douglas M. Schlachter Sr., grew out of the testimony of "newly cooperating witnesses," according to Carol E. Bruce, one of the assistant United States attorneys working with the grand jury investigating the Libyan venture.

"The investigation has developed new targets" as a result of this cooperation, she said. "We consider it a breakthrough."

Meanwhile, the State Department

Continued on Page 10, Column 4

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10/24/81

overseas to travel in the United States to give speeches promoting their cause. But as a resident alien who has lived in the United States since 1962, Dr. Hussaini has a constitutional right to travel around the country giving

told him Mr. Arafat was "a snake, a cutthroat."

And eight months ago the owners of the building where his offices had been situated told him to get out after an unexploded bomb was found.

then opened the Palestine Information Office in 1978.

"Israel has had a monopoly here over information for a long time," Dr. Hussaini said in an interview. "It's about time we were heard equally."

was sacked by a mob in December 1979. Since then there have been no consular services in Libya. The United States has since closed the Libyan diplomatic mission in Washington, charging Colonel Qaddafi with acts of international terrorism.



The New York Times / Teresa Zabala

Donald E. Graham

the time they stood by the report.

On Oct. 14, The Post said in an editorial that it found it the eavesdropping report "utterly impossible to believe," but stopped short of saying the newspaper had erred in printing it.

Instead, the editorial said, "Perhaps it is foolish to expect people to read newspapers with rabbinical or juridical care, to sift out the fair from the unfair or the justified from the unjustified inferences that can be drawn from a collection of words."

Virginia Man Indicted in Libyan Terrorist Scheme

Continued From Page 1

said that it had received "unconfirmed reports" that Americans might have taken part in airlifts to supply Libyan troops in Chad. [Page 10.]

The New York Times reported this week that pilots and mechanics recruited by Mr. Wilson were flying and maintaining aircraft in the Libyan Air Force.

In other news articles, Mr. Wilson has been reported to have tried to sell restricted computer technology to the Soviet Union and to have been linked to the suspect in the attempted murder of a Libyan student in Colorado. None of those matters were mentioned in the latest indictment.

Mr. Schlachter was charged with supervising the Libyan end of the deal Mr. Wilson and Mr. Terpil supposedly struck to supply the Libyan Government with explosives made in the United States and to train terrorists to use them at a camp near Tripoli in 1976 and 1977.

Mr. Schlachter, now thought to be in the African nation of Burundi, has no known connections with any intelligence agency, according to prosecutors. They said that he had been working at a family-owned gasoline station near Upperville, Va., before Mr. Wilson hired him to manage his country estate there in early 1976.

The indictment states that "for part of the time of the conspiracy," Mr. Schlachter was president of a Washington-based consulting and marketing firm known as Delex International, which was owned by Mr. Wilson.

Mr. Schlacter traveled from Virginia to Libya "to supervise the terrorist training project" in August 1976, according to the indictment. Prosecutors said he had been in Libya, London, Burundi and other foreign countries most of the time since then.

Indictment Kept Secret

The 17-page indictment unsealed today by Federal District Judge John H. Pratt was handed down by a grand jury Aug. 6 but kept secret while the State Department sought to persuade the Government of Burundi, which has no extradition treaty with the United States, to return Mr. Schlachter to face charges.

Those efforts have not yet succeeded. Mrs. Bruce said the unsealing of the indictment would allow the United States to communicate with Mr. Schlachter directly.

"We're optimistic" of getting him back, she said.

The indictment superseded the April 1980 indictment of Mr. Wilson, Mr. Terpil, who has recently been seen in Lebanon and Syria, and Jerome S. Brower, formerly head of a Pomona, Calif., explosives manufacturing and distributing company, who pleaded guilty last January and is cooperating with prosecutors.

Mr. Schlachter is believed to be running an air freight forwarding company in Burundi, Mrs. Bruce said. She would not comment on whether he was still believed to be working for Mr. Wilson, who is in Tripoli.

Mr. Schlachter has a wife and two teenaged children still in the United States, but he "is not traveling alone," Mrs. Bruce said, refusing to elaborate.

Charges Include Conspiracy

The charges against the three men named in the indictment include conspiracy to violate and violation of law barring export of explosives to be used to kill persons and damage property and barring use of commercial air carriers to transport hazardous material and of the Arms Export Control Act of 1976, which bars export of certain munitions without State Department approval.

Mr. Wilson and Mr. Terpil are also charged with acting illegally as unregistered foreign agents of the Government of Libya during 1976 and 1977 and conspiring to murder a political opponent of Col. Muammar el-Qaddafi, the Libyan leader, in Egypt in 1977.

All three men could face life in prison and large fines if apprehended and convicted on all counts. The count that carries a life term charges that the conspiracy resulted in an accidental explosion in Tobruk, Libya, in July 1977, that killed several Libyans and injured three of Mr. Wilson's employees.

The indictment states that "the object of the conspiracy was to supply covertly and for a profit the Government of Libya with personnel, explosives, explosive material and other goods necessary to make explosive devices and teach others how to make explosive devices in a terrorist training project."

Mr. Schlachter "worked hand in hand with the Libyans," Mrs. Bruce said, adding, "The extent of his involvement was not fully known to us or the grand jury when we first indicted Wilson and Terpil."

Mrs. Bruce said there were "quite a few cooperating witnesses" in the continuing investigation of Mr. Wilson's activities, including some who were "personally involved" and others who were unwitting accomplices. She would not name any of them except Mr. Brower.

The indictment named two other Americans and referred to numerous unnamed persons whom Mr. Wilson and Mr. Terpil allegedly hired or attempted to hire to assist in their scheme.

It also said that Mr. Schlacter purchased "household articles such as toasters, lamps and Thermos bottles to be transformed into explosive devices" and that automobiles, refrigerators, televisions, radios, attache cases and an alarm clock were also made into bombs.

Careers
Wednesday in Business Day
The New York Times

Shifted to States

added, so the Reagan Administration had begun looking for "something else." He made clear that the "something else" was mainly a major Federal pullback from state and local involvement, including a hands-off policy should states and localities increase taxes further and thereby possibly threaten the Administration's economic recovery program.

He argued, too, that the tax cuts constituted a major new direction in Federal policy. "These reductions dwarf anything that has been done previously in history," he said. "The Federal Government has reduced the amount of its 'draw.'"

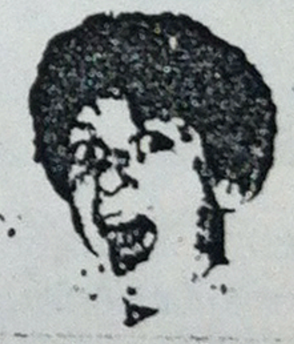
Niece of U.S. Senate Leader Sentenced on a Theft Charge

WASHINGTON, Oct. 23 (AP) — A niece of Robert C. Byrd, the Senate minority leader, was sentenced to three years' probation today for embezzling more than $12,000 from the Senate post office, where she was chief clerk.

Barbara Bowman, 44 years old, of Fairfax, Va., who pleaded guilty last month to a charge of attempting to cover up the embezzlement, was sentenced by Federal District Judge Louis Oberdorfer. She was also ordered to pay back the $12,000 and perform 100 hours of community service work. She had been told to resign from the Senate position Sept. 1.

An audit by the General Accounting Office turned up the embezzlement. Mrs. Bowman is the niece of Senator Byrd's wife, Erma.

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The New York Times / Teresa Zabala

Donald E. Graham

the time they stood by the report.

On Oct. 14, The Post said in an editorial that it found it the eavesdropping report "utterly impossible to believe." but stopped short of saying the newspaper had erred in printing it.

Instead, the editorial said, "Perhaps it is foolish to expect people to read newspapers with rabbinical or juridical care, to sift out the fair from the unfair or the justified from the unjustified inferences that can be drawn from a collection of words."

Virginia M

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said that it had received reports" that American taken part in airlifts to troops in Chad. [Page 10.]

The New York Times week that pilots and cruited by Mr. Wilson w maintaining aircraft in Force.

In other news articles, been reported to have t stricted computer tech Soviet Union and to have the suspect in the attempt Libyan student in Colo those matters were menti est indictment.

Mr. Schlachter was ch pervising the Libyan end Wilson and Mr. Terp struck to supply the Libya with explosives made States and to train terrori at a camp near Tripoli in

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The indictment states th

was put on an early flight to Washing-
t by American se-
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months of conventional diplomacy.

Mr. Haig and other American officials repeatedly stressed their view that Mr. Reagan scored a personal and diplo-

Continued on Page 12, Column 5

Suspect in Libyan's Shooting Is Traced to Farm in England

This article is based on reporting by Philip Taubman and Jeff Gerth and was written by Mr. Taubman.

10/25/81

Special to The New York Times

LONDON, Oct. 24 — The man accused of attempting to assassinate a Libyan student in Colorado last year found sanctuary four months later at an isolated English farm owned by Edwin P. Wilson, a former American intelligence agent who is now a fugitive in Libya, according to neighbors and local merchants in England.

The accused assassin, Eugene A. Tafoya, lived in a bungalow at Broxmead Farm, about 35 miles south of London, for three weeks in February, the neighbors and merchants said. They said he had been escorted to the farm by a business associate of Mr. Wilson.

Mr. Wilson's neighbors said they did not learn until earlier this month that Mr. Tafoya faced criminal charges. He is currently being held in Fort Collins, Colo., pending trial on state charges in the shooting of the Libyan student.

The neighbors and merchants, who asked not to be named, said they had met Mr. Tafoya in the course of business while he was at the farm and had also met other Wilson associates who stayed at the properties. The neighbors were shown photographs of Mr. Tafoya and confirmed that he was the man who had visited the farm for three weeks.

Federal investigators looking into the attempted assassination said in July that they had found evidence, including bank and telephone records, that linked Mr. Tafoya to Mr. Wilson. On the basis of that evidence, investigators said they believed that Mr. Wilson might have been responsible for arranging the Oct. 14, 1980, attack against the Libyan student, Faisal Zagallai, an outspoken critic of Col. Muammar el-Qaddafi, the leader of Libya.

Investigators said this week that they were unaware that Mr. Tafoya lived on Mr. Wilson's farm last winter. They

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In the past, some Fort Collins authorities have criticized the Justice Department for failing to pursue the Tafoya evidence, noting that the local police department lacks the resources to investigate the international connections. Federal law-enforcement officials have stepped up their work on the Tafoya case in recent weeks and have attempted to improve cooperation with the Fort Collins police and prosecutors, according to Justice Department officials.

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Mr. Wilson has refused to return repeated telephone calls placed to him in Libya.

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Unlike the farmhouse, the grange is fully furnished, including one room that contains a working Telex machine. The Telex machine at the farmhouse has not been installed.

According to local residents, the grange house has been used both for weekend visits by Wilson associates and for company meetings. The London company that manages the properties keeps a Jeep Renegade at the grange house for use by visitors, neighbors said. The Jeep has a current Virginia registration and, according to the Virginia Department of Motor Vehicles, is registered in Mr. Wilson's name.

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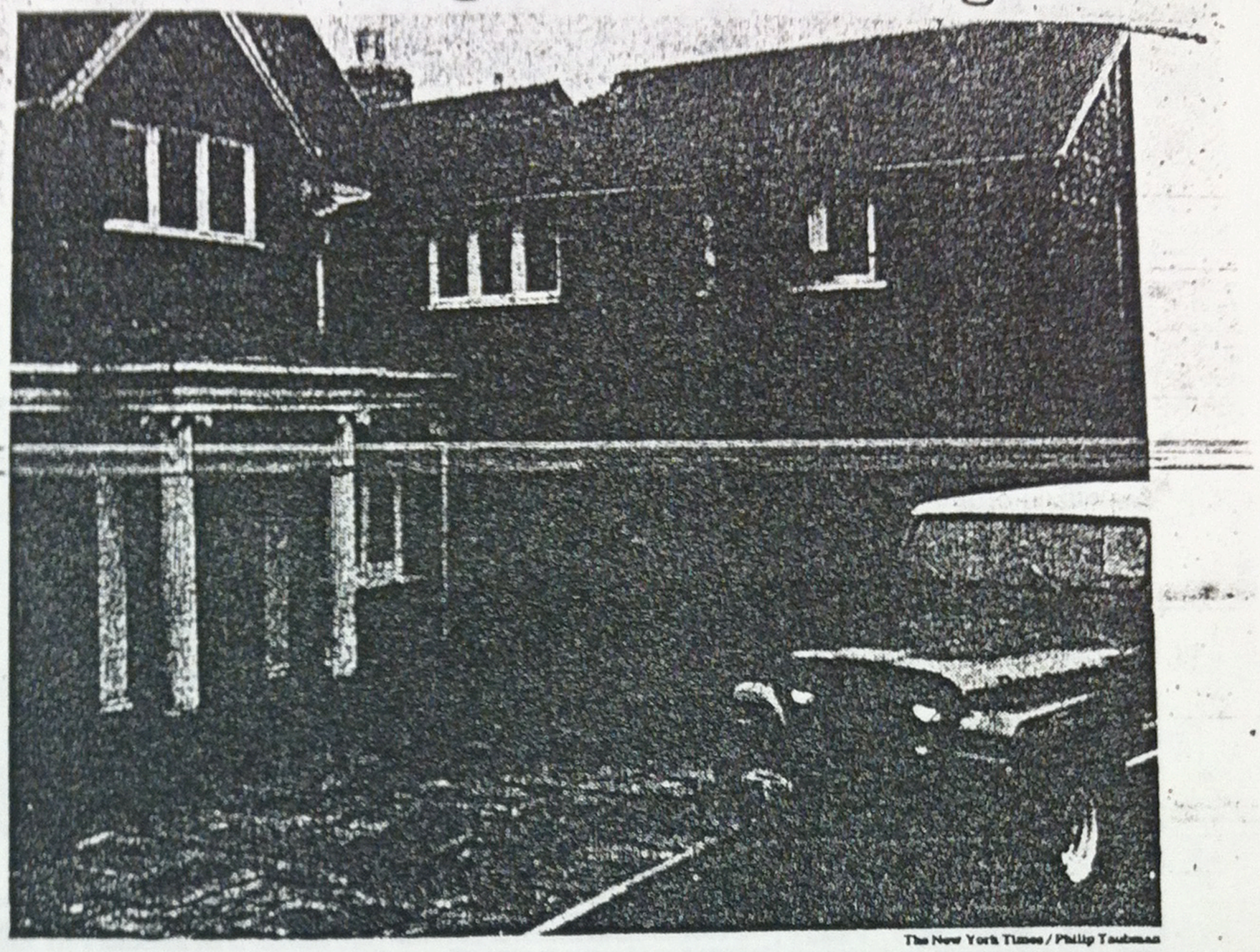
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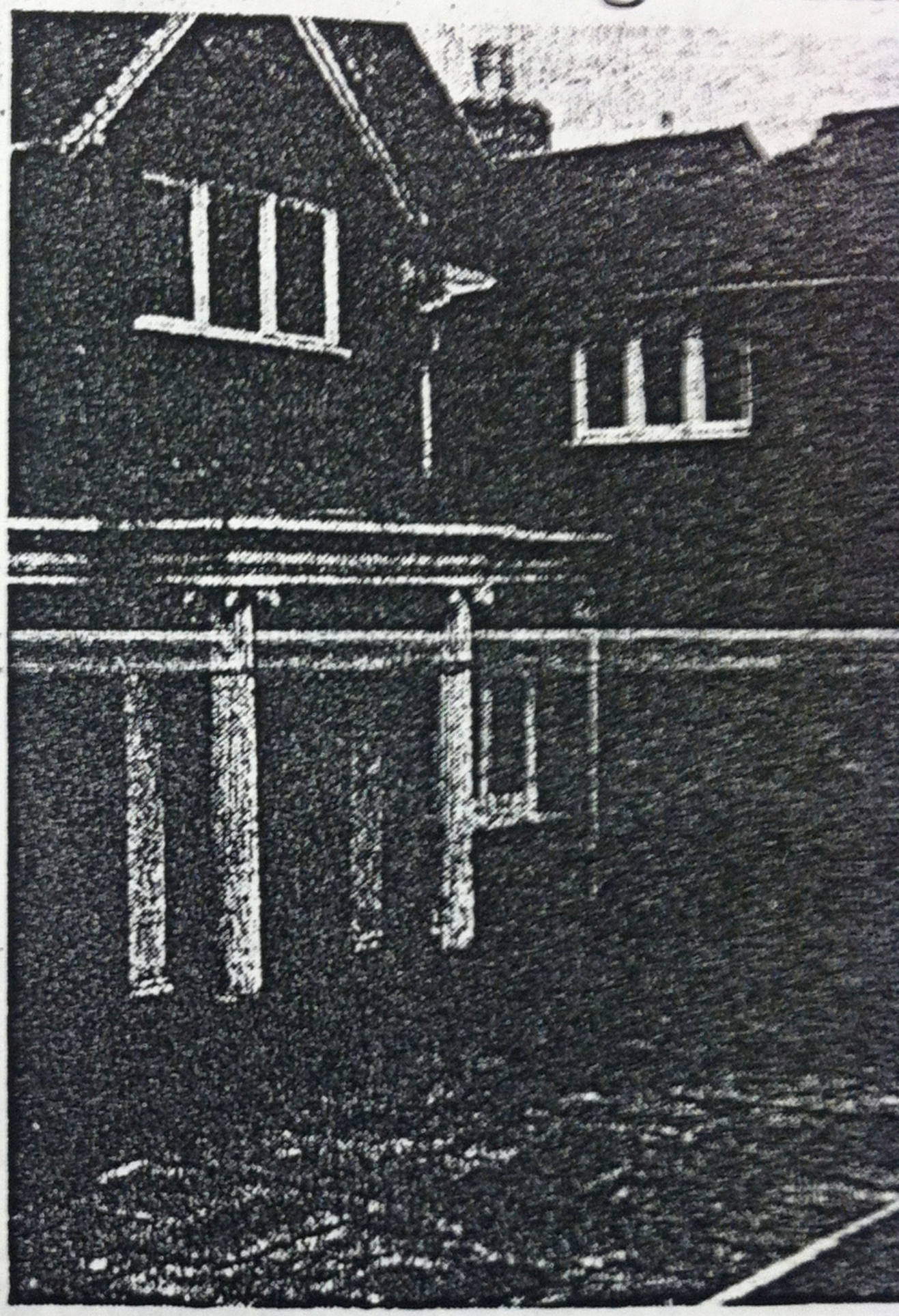
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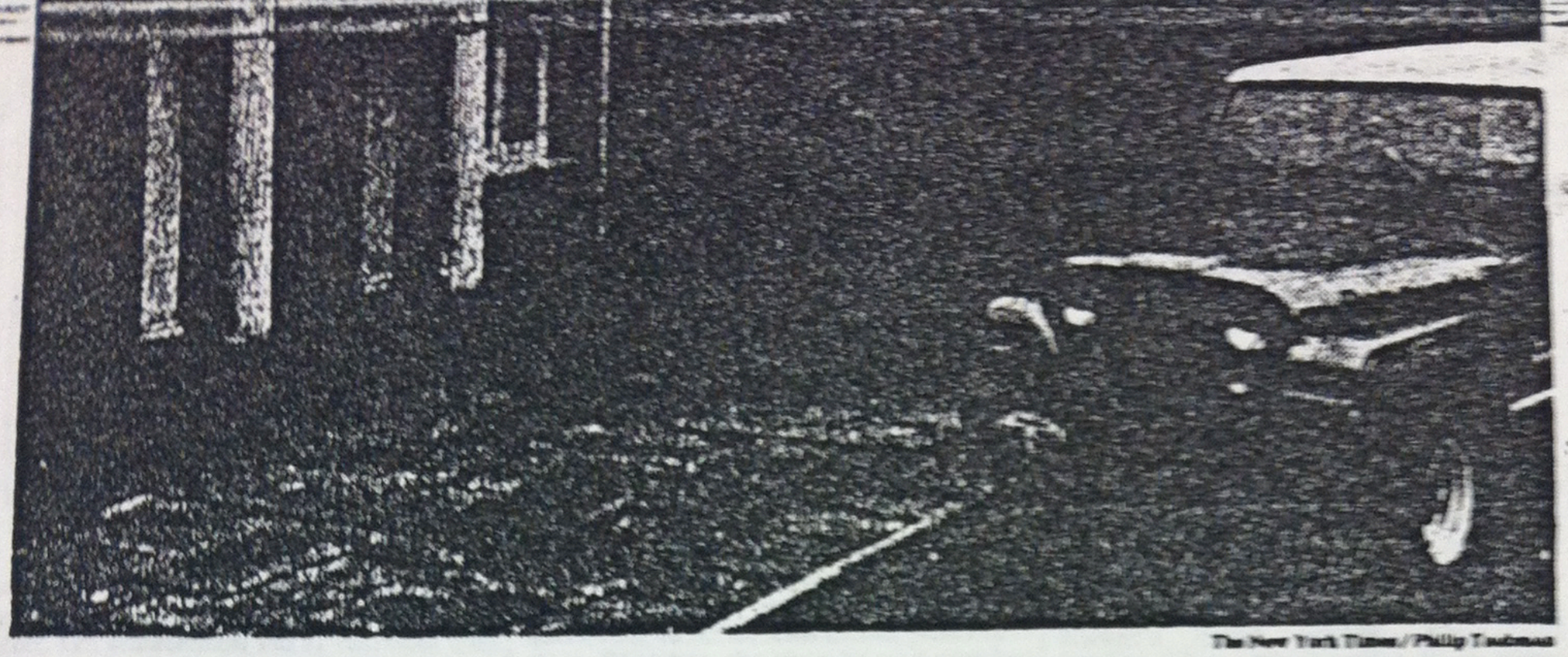
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The New York Times/Philip Taubman

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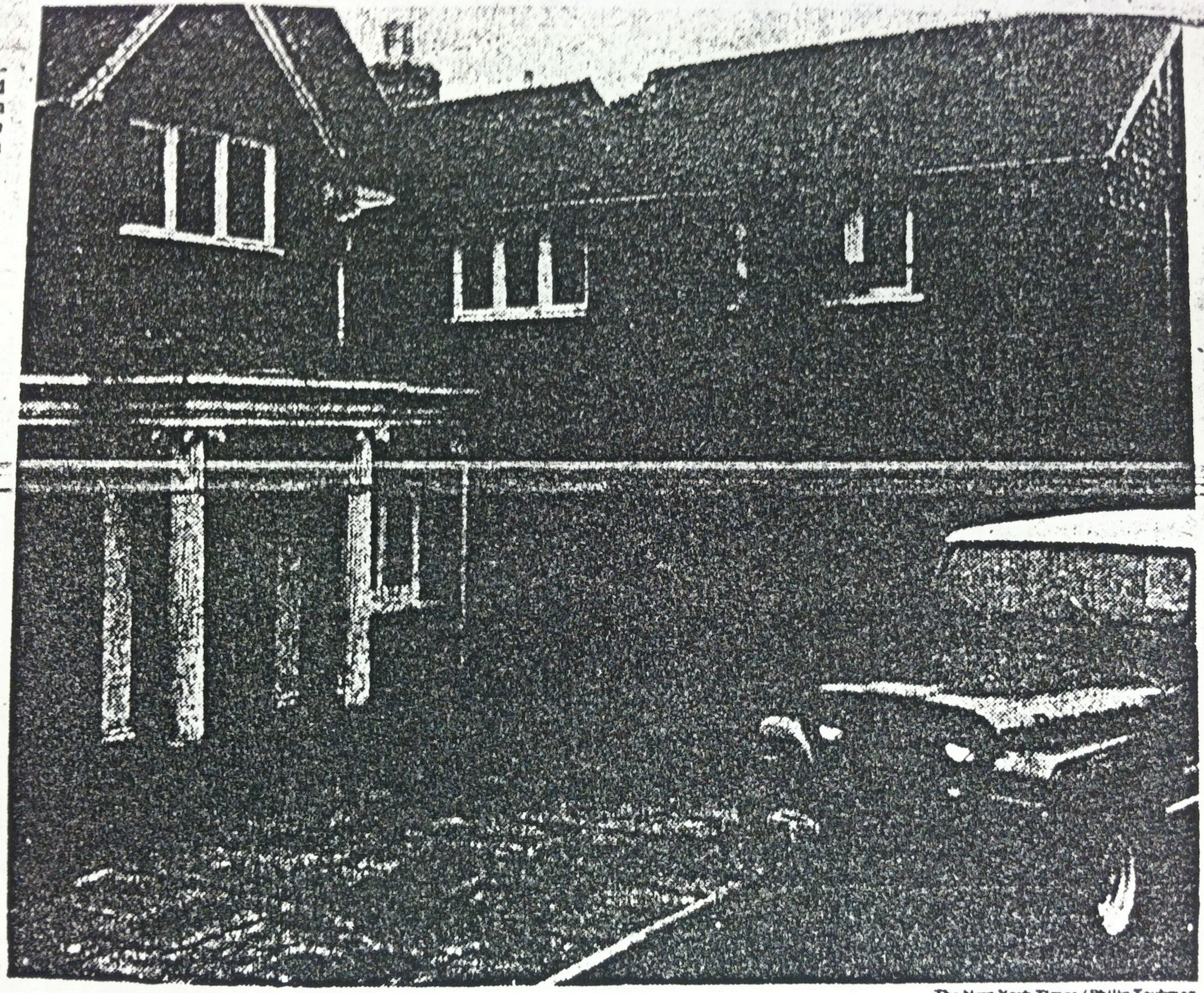
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The New York Times / Philip Taubman

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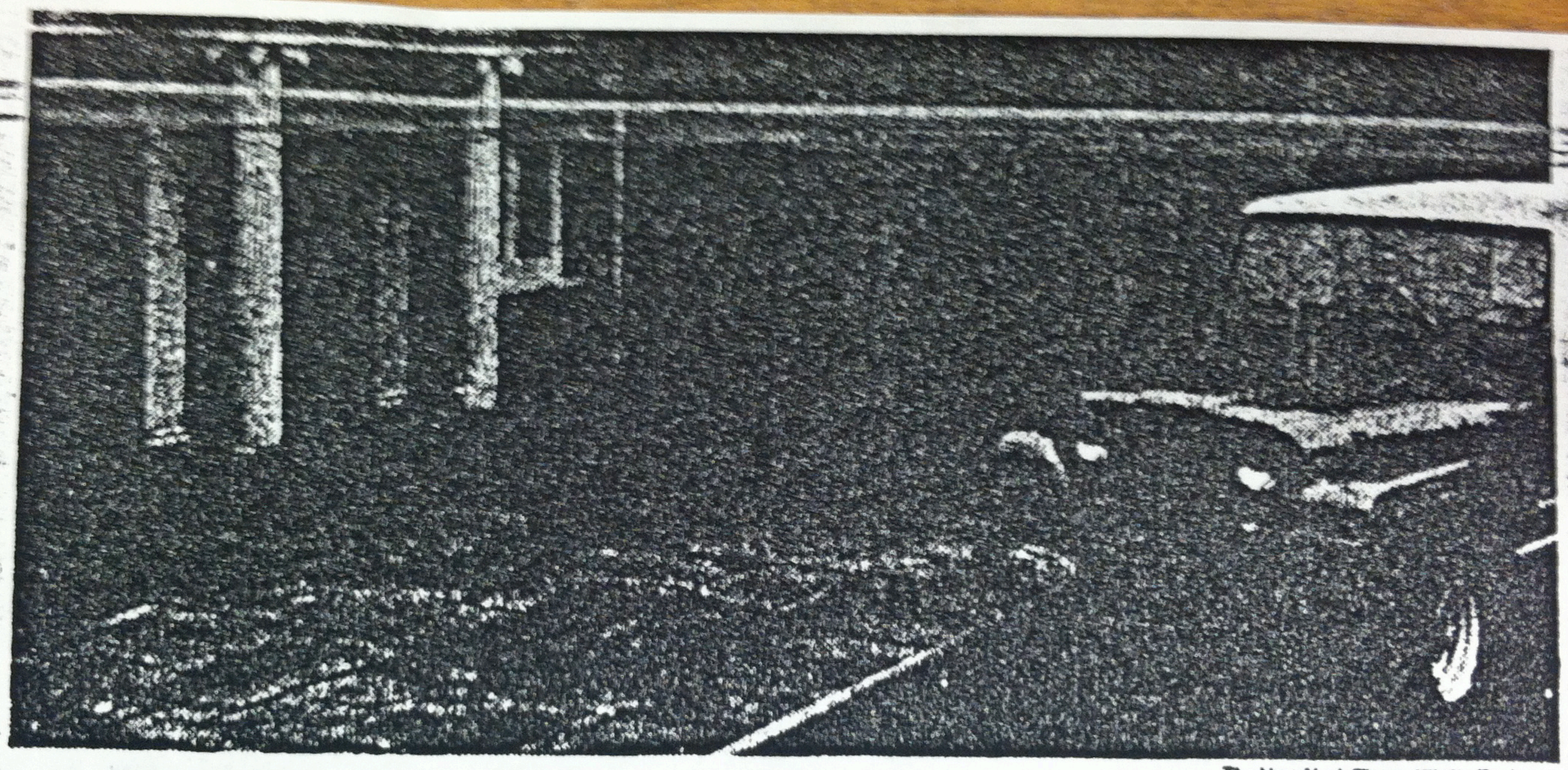
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farm, he was not wanted for arrest or questioning in the shooting because the authorities in Fort Collins did not have the names of possible suspects. The first break in the case, the tracing of the handgun used in the shooting to a Florida man who said he sold it to Mr. Tafoya, did not happen until March. A warrant for Mr. Tafoya's arrest was issued in Fort Collins on April 12, 1981, according to court records.

Significant New Development Seen

The authorities in Fort Collins, according to officials there, have considered charging Mr. Wilson as a co-conspirator, but have felt they lacked sufficient evidence. These authorities said that Mr. Tafoya's presence at the farm was a new and significant development.

In the past, some Fort Collins authorities have criticized the Justice Department for failing to pursue the Tafoya evidence, noting that the local police department lacks the resources to investigate the international connections. Federal law-enforcement officials have stepped up their work on the Tafoya case in recent weeks and have attempted to improve cooperation with the Fort Collins police and prosecutors, according to Justice Department officials.

The trial of Mr. Tafoya, who was arrested by F.B.I. agents in New Mexico on April 22, is scheduled to begin Nov. 2.

His lawyer, Walter Gerash, said that he knew nothing about his client's having been in England, and that he had no further comment on the matter.

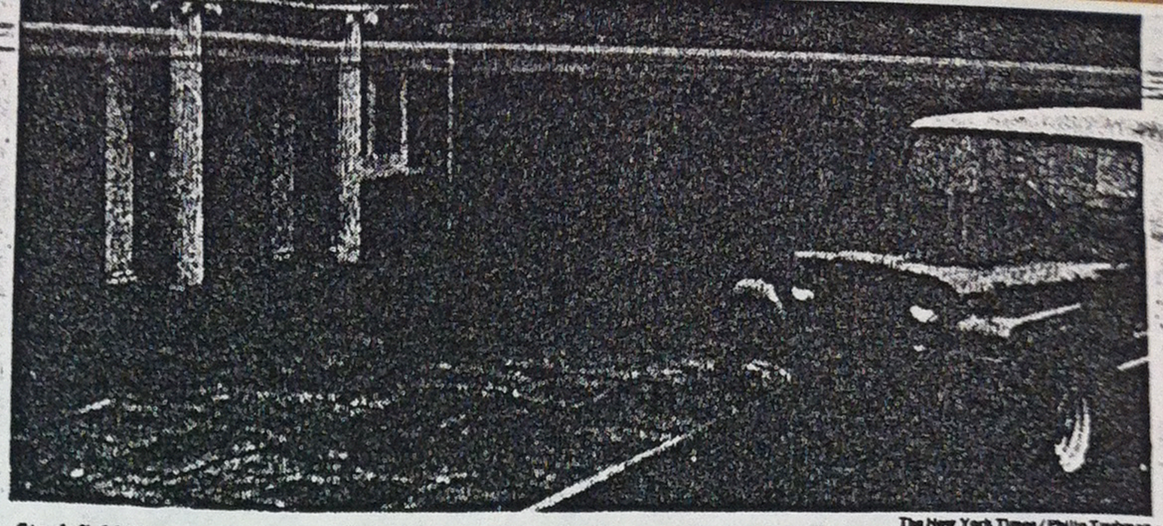
Mr. Wilson, a former covert agent for the Central Intelligence Agency, was indicted by a Federal grand jury in Washington last year on charges of illegally shipping explosives to Libya as part of a scheme to train terrorists there. The charges were expanded in a new indictment made public yesterday.

Mr. Wilson has refused to return repeated telephone calls placed to him in Libya.

Residents living near the farm, which is one of two properties that Mr. Wilson owns near Haywards Heath in West Sussex, said Mr. Tafoya was one of many people apparently associated with Mr. Wilson who have stayed at the properties.

The last visitor, a Wilson business associate named John Heath, departed two weeks ago, the neighbors said. Mr. Heath, according to a former business associate of Mr. Wilson, is one of the American ordnance experts Mr. Wilson recruited in 1976 to build bombs in Libya for use by terrorists.

The neighbors said that Mr. Wilson had visited the properties only once, two years ago, but that his associates had held business meetings there. Two of the three homes are equipped with Telex machines.



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Improvements Made at Farm

According to residents of the area, the companies have invested a substantial amount of money in restoring Broxmead Farm. The farmhouse was built early in the 17th century. Improvements have included installation of a new electrical system and plumbing, construction of a modern kitchen, and employment of a tenant farmer to keep the more than 120 acres from becoming overgrown.

The farmhouse, a Tudor-style mansion, sits at the end of a long private driveway, which itself connects to a narrow, winding road called Broxmead Lane more than a mile from the nearest main highway. A complex of farm buildings is behind the house. These, too, have been improved by Mr. Wilson, according to neighbors.

The house is currently unfurnished and unoccupied. Nearby residents said Mr. Wilson's associates have never lived in the house.

The bungalow, which sits at the entrance to the private driveway, is a modest, two-bedroom house that is furnished. Neighbors said it has been used frequently for visits by associates of Mr. Wilson, including Mr. Heath and a female companion, both of whom lived there for three months earlier this year.

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KENT, Ohio, Oct. 24 (UPI) — The Army's Reserve Officer Training Corps is thriving at Kent State University, where 11 years ago antiwar demonstrators burned the corps building, setting off a chain of events that ended with the killing of four students by the Ohio National Guard.

In a recent article in The Akron Beacon Journal, Lieut. Col. J. F. Griffith Jr., commander of Kent State's Air Force R.O.T.C. unit, attributed the change to "an increased national spirit and an increased respect for the military."

Another Kent State reserve training officer told the newspaper that students were motivated to join because of scholarships and benefits in the military.

One member said that she was still heckled while walking across campus in her uniform. But statistics seem to be on the side of the military.

In 1970, Kent State had about 225 students enrolled in the corps, and that number dropped to 165 in 1973. Last year the northeastern Ohio university had 400 students in the program.

Nationally, Army and Air Force statistics show that more than 92,000 students were enrolled in the corps' programs on American campuses last year, up 73 percent from 1973 enrollment of 53,000.

A Kent State member, Leslie Hedden, [illegible] at the time of the shoot-

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Because of recent developments in Washington, further enrollment increases are "almost guaranteed," Captain Herlehy said.

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Even more significant, Captain Herlehy said, was Congress's overwhelming approval last week of a bill raising the pay of all military officers by 14.3 percent.

After the 1970 shootings, graduations for the program at Kent State became antiwar protests, with demonstrators once throwing marshmallows at corps graduates to disrupt the ceremony.

Two years after the 1970 Kent State shootings, 129 students were arrested in a 10-hour, antiwar sit-in at Rockwell Hall, the corps' campus headquarters.

The 1970 shootings came just days after American troops marched into Cambodia. Students rallied on the campus green to protest the invasion and the presence of the National Guard at the university. The guard was called in after the R.O.T.C. building was burned.

Four students were killed by a hail of National Guard gunfire, and nine were [illegible]

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THE QADDAFI CONNECTION

A former C.I.A. analyst publicly reveals the story behind a group of ex-C.I.A. and military men who have been selling restricted materials and their expertise for use by Libyan terrorists. *The first of a two-part series.*

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By Seymour M. Hersh

Five years ago, two former operatives of the United States Central Intelligence Agency — Edwin P. Wilson and Frank E. Terpil — made a business deal with Col. Muammar el-Qaddafi, the ruler of Libya. In essence, the former C.I.A. men, who had become partners in an export-import business, agreed to sell Colonel Qaddafi their accumulated years of American intelligence-agency contacts, experience and expertise. Theirs was a product that could not be purchased on the open market. The colonel, who boasts of supporting terrorism in the Middle East, Europe and Africa and who has been attempting to set up his own new federation of Arab and Moslem states, was willing — and able, because of his vast oil wealth — to pay dearly.

As a result, the two Americans, according to Federal investigators, have made millions of dollars aiding Qaddafi in his drive to export terrorism and build his own Middle Eastern power. Under cover of their export-import business, Wilson and Terpil are said to have helped Libya set up a manufacturing plant for the production of assassination weapons; to have themselves helped Qaddafi plan political assassinations; to have recruited dozens of former Green Berets to teach Libyan soldiers and Arab terrorists how to handle volatile explosives — how, for example, to turn ashtrays into weapons of terror; to have illegally shipped arms explosives to Libya with the aid of forged and fraudulent State Department export certificates, and to have involved other former C.I.A. employees in their projects.

Information about the Qaddafi connection has been known by the Government since the fall of 1976. It was then that Kevin P. Mulcahy, at the time a partner of Wilson and Terpil, approached the C.I.A. and the Federal Bureau of Investigation with grave doubts about the legality and ethics of his company's business dealings with Libya. Mulcahy, a former C.I.A. employee who had spent six months inside the Wilson-Terpil operation, would spend hundreds of hours, over the next few years, providing the Government with firsthand knowledge.

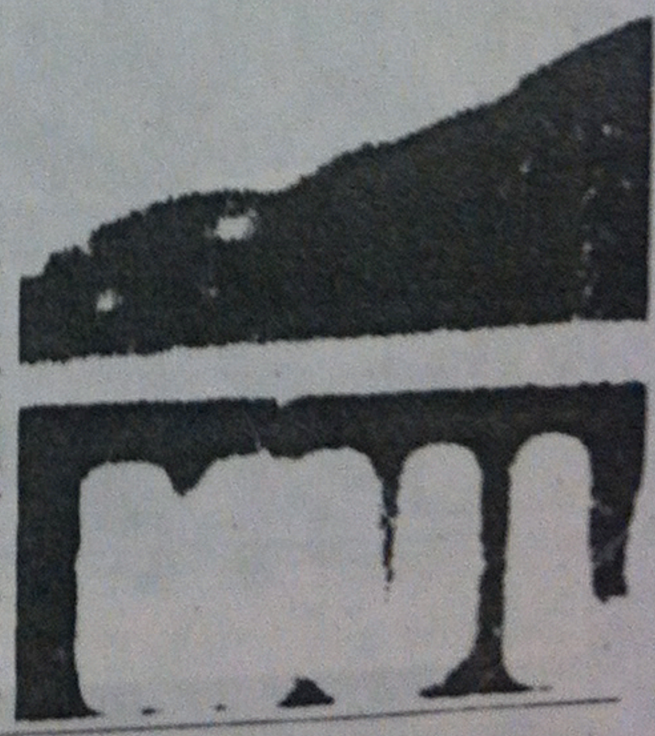
Kevin Mulcahy has now decided to tell his story publicly for the first time. He's tired of waiting for this segment of his life to end. He wants to be listed again in the telephone directory, to hold a driver's license in his own name, to vote, to own property, to stop living as if he — and not Wilson and Terpil — had been indicted for wrongdoing. He feels he is forced now, in effect, to give his testimony in the pages of The New York Times. The essentials of his account have been verified where possible through secret documents and in interviews with key members of the State Department, the Justice Department, the F.B.I., the United States Attorney's office in Washington, as well as with Stansfield Turner, the former head of Central Intelligence, and other high C.I.A. officials.

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The Wilson-Terpil case is a story of Americans who meet secretly in bars and board rooms to arrange the illegal sale of electronic-spying equipment and terrorist weapons, and of Americans who train assassins abroad. It is a story of an old-boy network of former C.I.A. operatives and military men, and a story of present and past C.I.A. leaders who seem unable to face fully the implications of the case. It tells of a basic inability of the Government's investigative and law-enforcement agencies, disrupted by internal jealousies and feuding, to perform effectively. It suggests that a moral climate exists inside and on the edges of the intelligence community which results in the subversion of national goals to personal gain.

Ed Wilson was running what amounted to an updated version of the military-industrial complex in which former C.I.A. and military employees have put their Government experience, contacts and knowledge to use for large personal monetary gain, regardless of the damage they will do to their own country. Such men have worked in league with a number of American manufacturers who have specialized in working for the C.I.A. and other intelligence agencies in supplying military goods and highly classified technical equipment. Questions that should normally be asked — Are the sales officially authorized? Are they legal? Do they jeopardize national security? — are not. Senior Government officials, in recent interviews, acknowledge that American expertise is being transferred abroad in unprecedented fashion. The phenomenon, known in the bureaucracy as "technology transfer," is one apparent result of the declining morale inside the intelligence community and the increasing profits available. These officials say that nations such as Chile, South Korea, Brazil, Argentina, Taiwan, South Africa, Iraq and Pakistan have been able to purchase the very latest American equipment and technology in communications, military arms, computer science and nuclear development — with or without authorization from the United States Government.

The matter was intensively reviewed, at high levels, inside the Carter



Kevin P. Mulcahy in disguise in 1977. Mulcahy believes — and the Federal authorities agree — that his life has been in danger since he secretly testified that some of his former business associates, who like him had once served in the C.I.A., were assisting in foreign terrorist operations. Inset: Mulcahy today on a bank of the Anacostia River in Washington, where he lived on a boat while he conferred with the authorities.

Seymour M. Hersh, a former New York Times reporter, is now at work on a book about Henry Kissinger to be published by Summit Books.



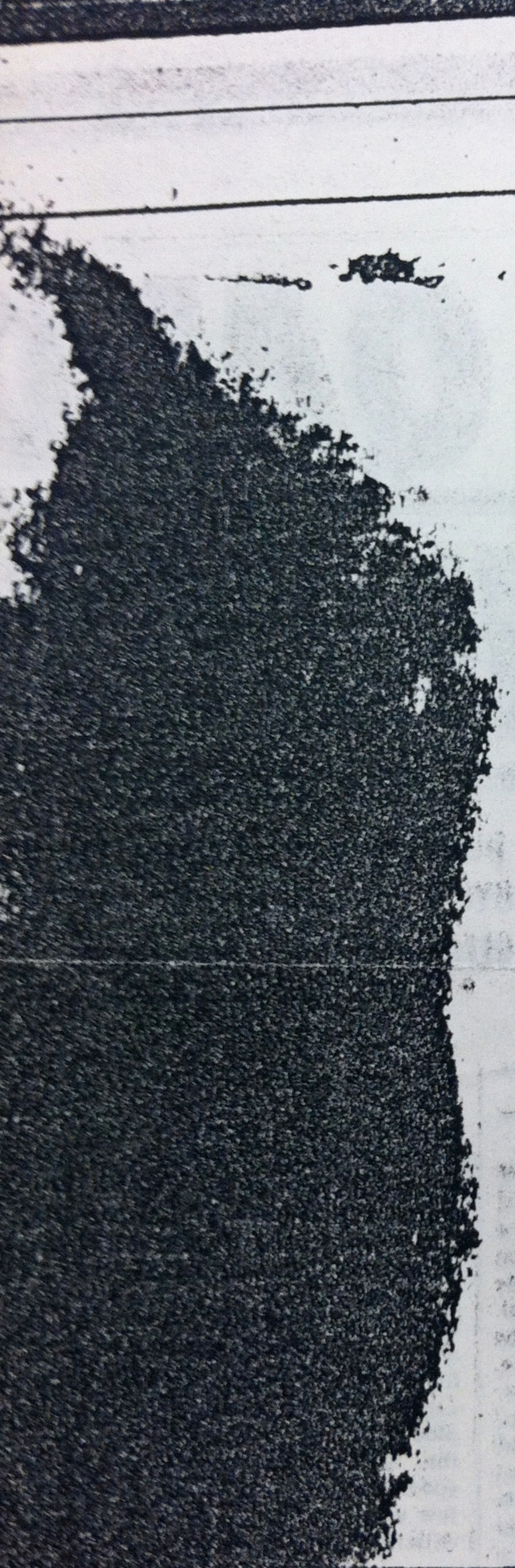
Administration, with little progress. As yet, the Reagan Administration has not addressed the issue. In early May, the Administration did order the Libyan Government to shut down its offices in Washington, as part of the campaign against international terrorism. But it has not faced the broader problem — the export of American weaponry and expertise to terrorists.

Before the Federal prosecutors brought their indictments in April 1980 in the Wilson-Terpil case, the file was presented to Philip B. Heymann, then Assistant Attorney General for the Criminal Division. Heymann, who is returning this summer to teach at Harvard Law School, recalls: "I was shocked by what I saw in the Wilson matter. The notion that there is no control over an American intelligence official taking his know-how and selling it to the highest bidder seems to be insane. If terrorism is to be taken as a major national problem," Heymann says, "we'll have to start at home and draft statutes that would bar the sale of fancy American equipment and fancy American expertise for terrorist purposes. It won't be an easy matter, because it's hard to put a lid on the dissemination of information. But this question is exactly what Congress ought to be holding hearings on."

Federal authorities, in accepting Kevin Mulcahy's story as accurate, acknowledge that its implications are deeply disturbing. Qaddafi obviously has utilized the materials and expertise of Wilson and Terpil in his support of such terrorist groups as the Palestine Liberation Organization, the Red Brigades of Italy, the Red Army of Japan, the Baader-Meinhof gang in Germany and the Irish Republican Army. He is suspected of having ordered the murder of at least 10 political enemies in Europe and the Middle East; two months ago, the F.B.I. arrested Eugene A. Tafoya of New Mexico, a former Green Beret, and accused him of an attempted assassination of a Libyan student at Colorado State University. The Libyan is one of a growing number outside the country who oppose Qaddafi's rule. When arrested, Tafoya, who traveled to Libya three times last year, had Ed Wilson's business card in his possession with telephone and telex listings in Tripoli, London and Washington for one of Wilson's Swiss-based companies. Tafoya's links to Wilson are still being investigated.

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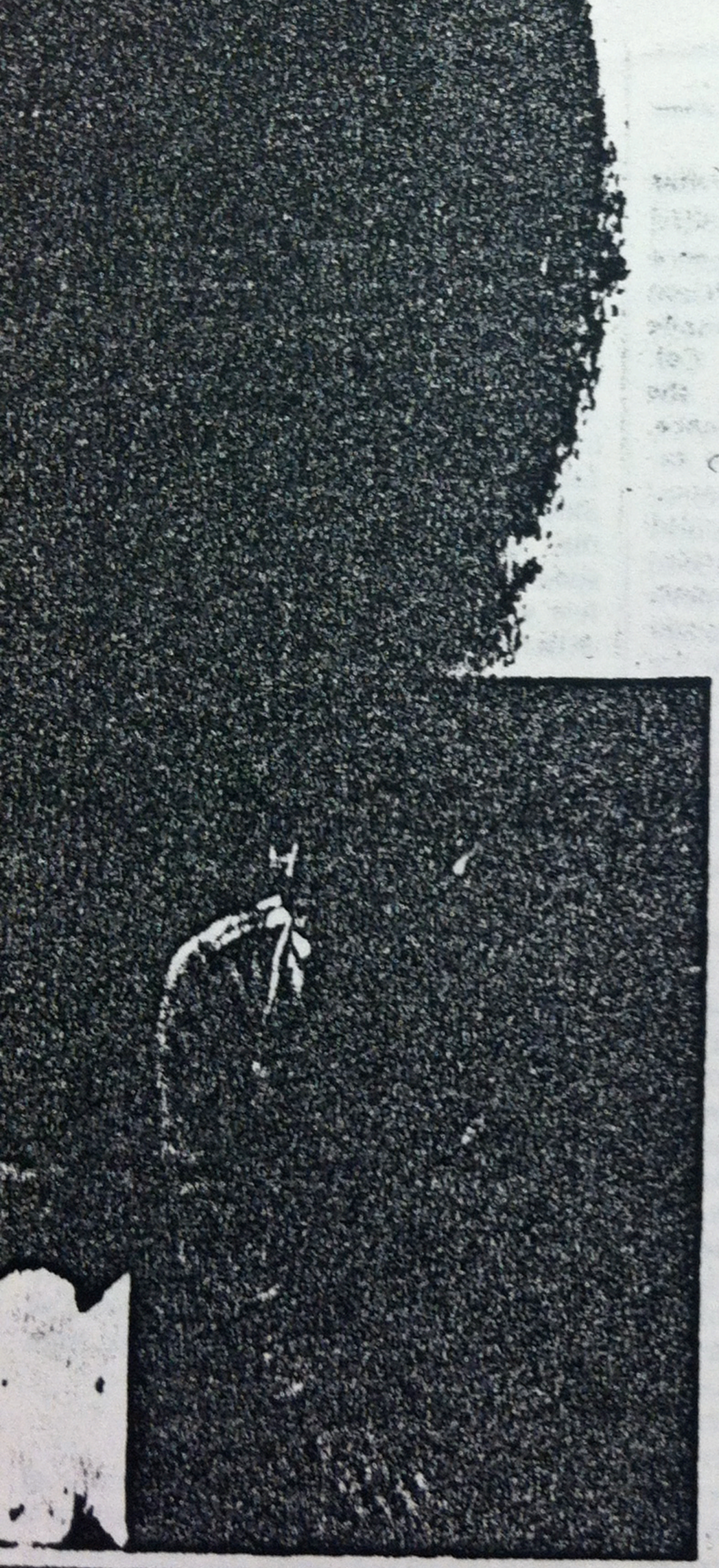
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Mark Cuckovich

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A former high-speed-communications and computer-technology expert in the C.I.A., Kevin Mulcahy was no innocent when he came forward about the way the export-import business had worked. He had gone into business with Wilson and Terpil at a high guaranteed income. Within three months, Mulcahy realized that his partners were routinely selling restricted military and communications gear. He himself offered to sell such sophisticated equipment as second-generation computer systems and coded communications machinery. Mulcahy did not hesitate in his talks with the authorities to acknowledge his own role in questionable activities, which included the sale of embargoed ammunition to South Africa. In all of these dealings, he says, he believed or wanted to believe that Wilson and Terpil were somehow part of a covert C.I.A. operation.

Today, Mulcahy is an angry and frustrated man. He believes his life is in danger, a belief shared by Federal officials, and he is deeply disturbed by what he regards as a monumental lack of resolve, competence and communication within the Federal Government in handling the case. It took nearly four years to indict Wilson and Terpil in Washington, on charges that include illegal export of explosives, failing to register as a foreign agent, and conspiracy and solicitation to commit murder. Despite fugitive warrants, the Government has been unable to apprehend them at a time when their travels in and about Europe, the Middle East, Africa and the United States have been observed by many people. Last winter, more than six months after his indictment, Wilson was seen by a business friend in Blackie's House of Beef, a Washington restaurant, with a group of his former employees; it is not known how he entered the country. Mulcahy, meanwhile, has been forced to lead a life of furtiveness. "I've had five years of indecision, contradiction and waiting for the day that this chapter of my life ends," he says. "The Government keeps telling me, 'We're on top of it; we're on top of it.'" Yet Wilson and Terpil remain at large, and many of their operations, which clearly seem to be working against the interests of their own country and, indeed, world peace, are believed to be continuing at this moment.

Kevin Mulcahy, now 38, grew up vintage Americana in suburban Washington: altar boy, Eagle Scout, varsity basketball, class vice president. He was a son of Donald V. Mulcahy, a 28-year-career senior official of the C.I.A., four of whose six children were also employed by the agency. Kevin, the oldest child, began working full-time for the C.I.A. in 1963, after serving as an airborne radio operator in the Navy. He became a communications and computer expert and worked on highly classified programs that he will not talk about today. In 1968, he resigned

Frank E. Terpil (left), accused of illegally exporting explosives for terrorism, at a picnic along the Thames in London, with Kevin Mulcahy (center) and Erwin Hoffeiner (right), an international arms dealer, in the summer of 1976. Terpil, at the time, was Carlos Ramirez, known to authorities as "the Jackal," who is believed to have planned the [illegible]

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By the fall of 1974, Mulcahy had come to grips with his alcoholism and, having left the computer industry, began working in Virginia as a counselor in a drug- and alcohol-treatment center. By 1975, he was trying to set up a series of halfway houses and was scrambling for Federal grants. Mulcahy rented a house by chance from a Barbara Wilson — Edwin P. Wilson's wife. Mulcahy became friendly with her and eventually was invited to dinner at the Wilsons' newly purchased, luxurious 1,500-acre farm in Upperville, Va. Ed Wilson, now 52, was well known inside the C.I.A. as a skilled and trustworthy operative. Wilson, who began his export-import business in the early 1970's while working as a consultant for a top-secret Navy intelligence unit, had played a role in the Bay of Pigs and other undercover operations in his long C.I.A. career as a contract agent. Mulcahy was impressed.

Over dinner, Wilson made it clear that he knew pretty much all there was to know about Kevin Mulcahy, about his former employment with the C.I.A. and his current work with teen-agers. A few months later, Wilson made an offer Mulcahy would not refuse: If Mulcahy would join his arms-sales business in Washington and remain for one year, he could then have as a bonus a nine-bedroom farmhouse Wilson also owned and use it as a halfway house for troubled youths. Mulcahy's guaranteed $50,000 annual income would be supplemented by commissions and expenses. "I had no suspicions at all about the job," Mulcahy recalls, and he began working hard. "I was putting in 18 hours a day at first, dealing with 10,000 suppliers and inquiries about canned food, parachutes — any kind of equip-



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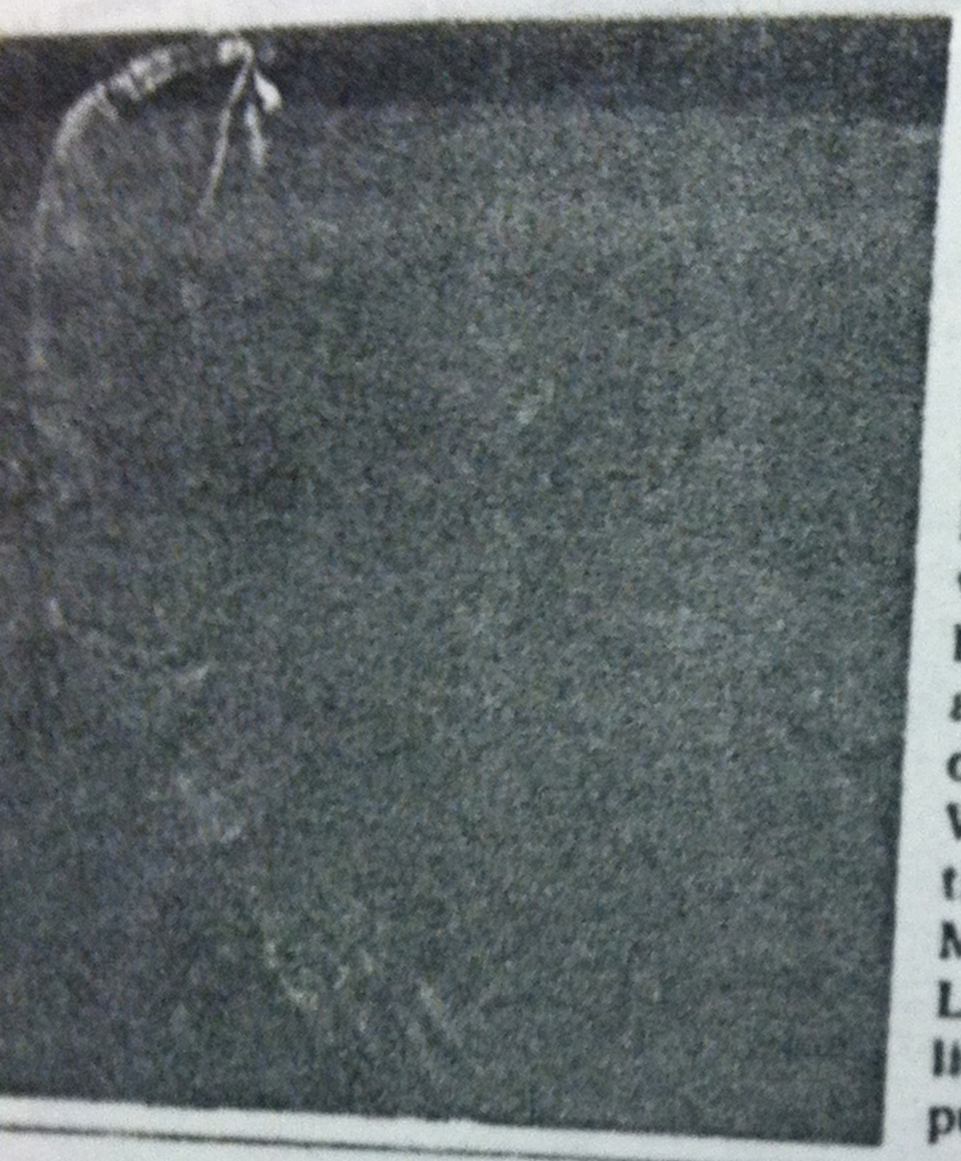


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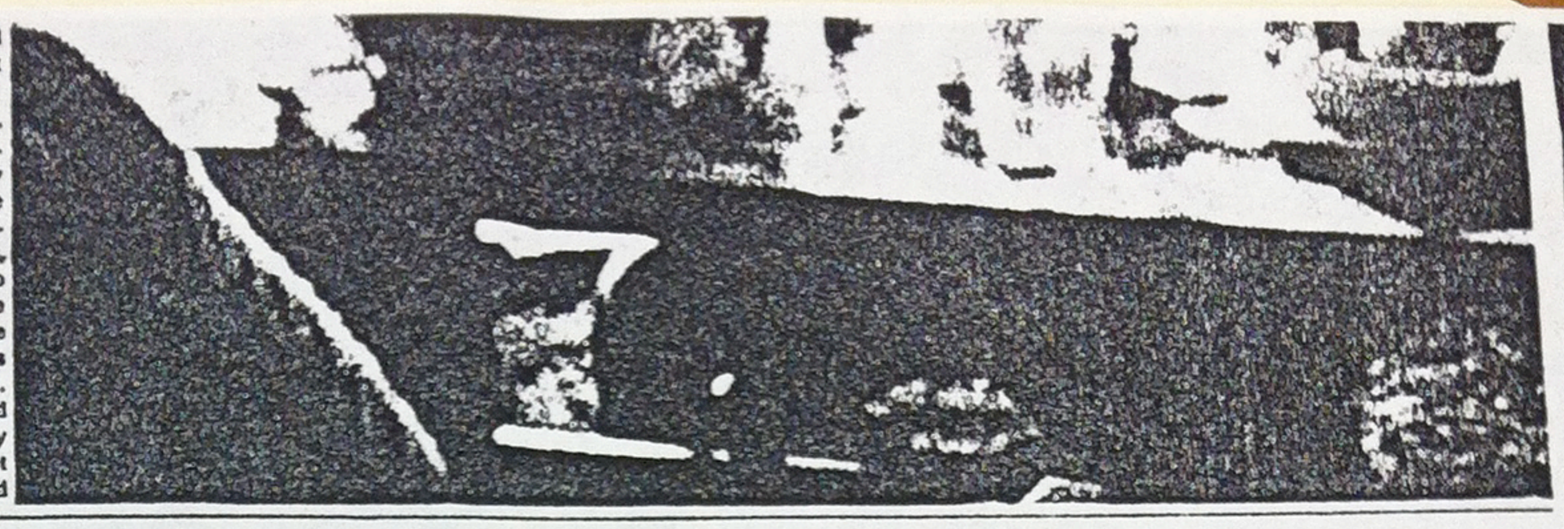


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ment, from machine guns to aircraft. There was no reason for suspicion in those weeks." Most of the business was aboveboard and involved the sale of highly technical equipment. Mulcahy was responsible for arranging export licenses, international letters of credit and shipping, and also for determining which manufacturers' equipment would meet the specifications of the order.

Mulcahy obviously passed muster. In the early spring of 1976, Wilson walked him to another office a few blocks away, in downtown Washington, and introduced him to Frank Terpil, now 41. Terpil had served about seven years as a communications technician for the C.I.A. but was forced to resign in 1971 after a series of embarrassing private escapades, including an attempt to smuggle contraband liquor into India. Unlike Wilson, who mingled easily and effortlessly with senior C.I.A. officials, corporate executives and important members of Congress, the Brooklyn-born Terpil was a street operator who had been arrested twice for illegal trafficking in arms. Mulcahy knew nothing about Terpil except that he had worked overseas for the C.I.A.

The three men agreed to set up a new company, to be known as Inter-Technology Inc., for the specific purpose of selling high-speed communications gear and computers to foreign countries. The equipment was legally purchased from American companies. Each man was to be a one-third partner of Inter-Technology, which, it turns out, was one of scores of Wilson-Terpil companies scattered in corporate records throughout the United States and Europe.

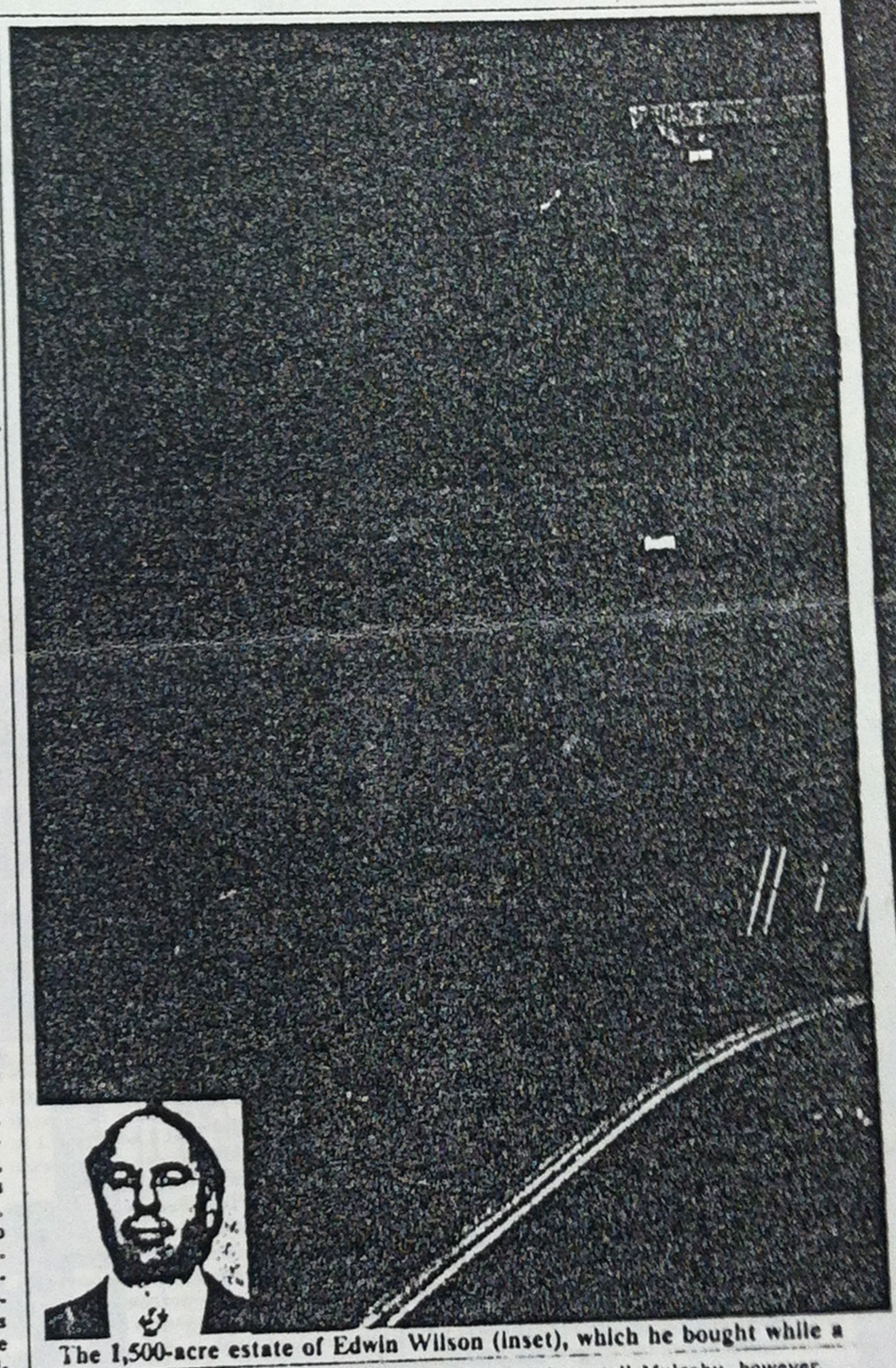
If Mulcahy had any doubts about his new job, he suppressed them by believing — or wanting to believe — that Ed Wilson was still linked to the C.I.A. "Ed would parade his contacts in the C.I.A. with the people he was doing business with to impress them that he was *still* C.I.A.," Mulcahy says. "He would suggest he was still under deep cover." Often on Friday nights, Wilson made it a point to go drinking at bars in suburban Virginia known to be after-hours hangouts for C.I.A. officials on duty at the agency's headquarters in McLean. Mulcahy, the new partner, began going along. "I thought he was agency," Mulcahy says of Wilson. "I had no question in my mind."

A few days after the new partnership was formed, Mulcahy discovered sales orders showing that Wilson and Terpil were in the process of selling machine guns and silencers to an arms dealer in Zambia. He was bothered by the sale of the silencers for he knew they had only one purpose — killing without drawing attention to the killer. He telephoned the F.B.I. and later showed copies of the sales orders to agents in the Bureau of Alcohol, Tobacco and Firearms (B.A.T.F.), one of whose functions it is to monitor illegal arms deals and report on impending sales. He also asked about his new partners. The authorities said that the sale to Zambia was legal and that they had no derogatory information about Wilson and Terpil in their files. "I said to myself, 'Christ, this has got to be an agency operation,' " Mulcahy recalls. "These guys are buying and selling silencers, and the F.B.I. and B.A.T.F. give them the O.K. So I'm feeling pretty good: I'd gone to the Federal authorities, shown them documents and they said Wilson and Terpil were clean."

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American Electronic was a logical

their own country and, indeed, world peace, are believed to be continuing at this moment.

Kevin Mulcahy, now 38, grew up vintage Americana in suburban Washington: altar boy, Eagle Scout, varsity basketball, class vice president. He was a son of Donald V. Mulcahy, a 28-year-career senior official of the C.I.A., four of whose six children were also employed by the agency. Kevin, the oldest child, began working full-time for the C.I.A. in 1963, after serving as an airborne radio operator in the Navy. He became a communications and computer expert and worked on highly classified programs that he will not talk about today. In 1968, he resigned



ment, from machine guns to aircraft. There was no reason for suspicion in those weeks." Most of the business was aboveboard and involved the sale of highly technical equipment. Mulcahy was responsible for arranging export licenses, international letters of credit and shipping, and also for determining which manufacturers' equipment would meet the specifications of the order.

Mulcahy obviously passed muster. In the early spring of 1976, Wilson walked him to another office a few blocks away, in downtown Washington, and introduced him to Frank Terpil, now 41. Terpil had served about seven years as a communications technician for the C.I.A. but was forced to resign in 1971 after a series of embarrassing private escapades, including an attempt to smuggle contraband liquor into India. Unlike Wilson, who mingled easily and effortlessly with senior C.I.A. officials, corporate executives and important members of Congress, the Brooklyn-born Terpil was a street operator who had been arrested twice for illegal trafficking in arms. Mulcahy knew nothing about Terpil except that he had worked overseas for the C.I.A.

The three men agreed to set up a new company, to be known as Inter-Technology Inc., for the specific purpose of selling high-speed communications gear and computers to foreign countries. The equipment was legally purchased from American companies. Each man was to be a one-third partner of Inter-Technology, which, it turns out, was one of scores of Wilson-Terpil companies scattered in corporate records throughout the United States and Europe.

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If Mulcahy had any doubts about his new job, he suppressed them by believing — or wanting to believe — that Ed Wilson was still linked to the C.I.A. "Ed would parade his contacts in the C.I.A. with the people he was doing business with to impress them that he was *still* C.I.A.," Mulcahy says. "He would suggest he was still under deep cover." Often on Friday nights, Wilson made it a point to go drinking at bars in suburban Virginia known to be after-hours hangouts for C.I.A. officials on duty at the agency's headquarters in McLean. Mulcahy, the new partner, began going along. "I thought he was agency," Mulcahy says of Wilson. "I had no question in my mind."

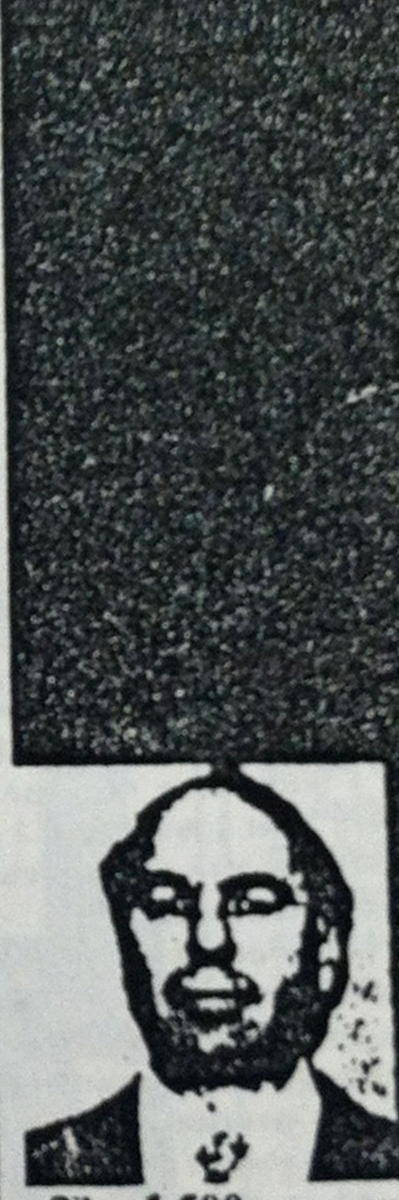
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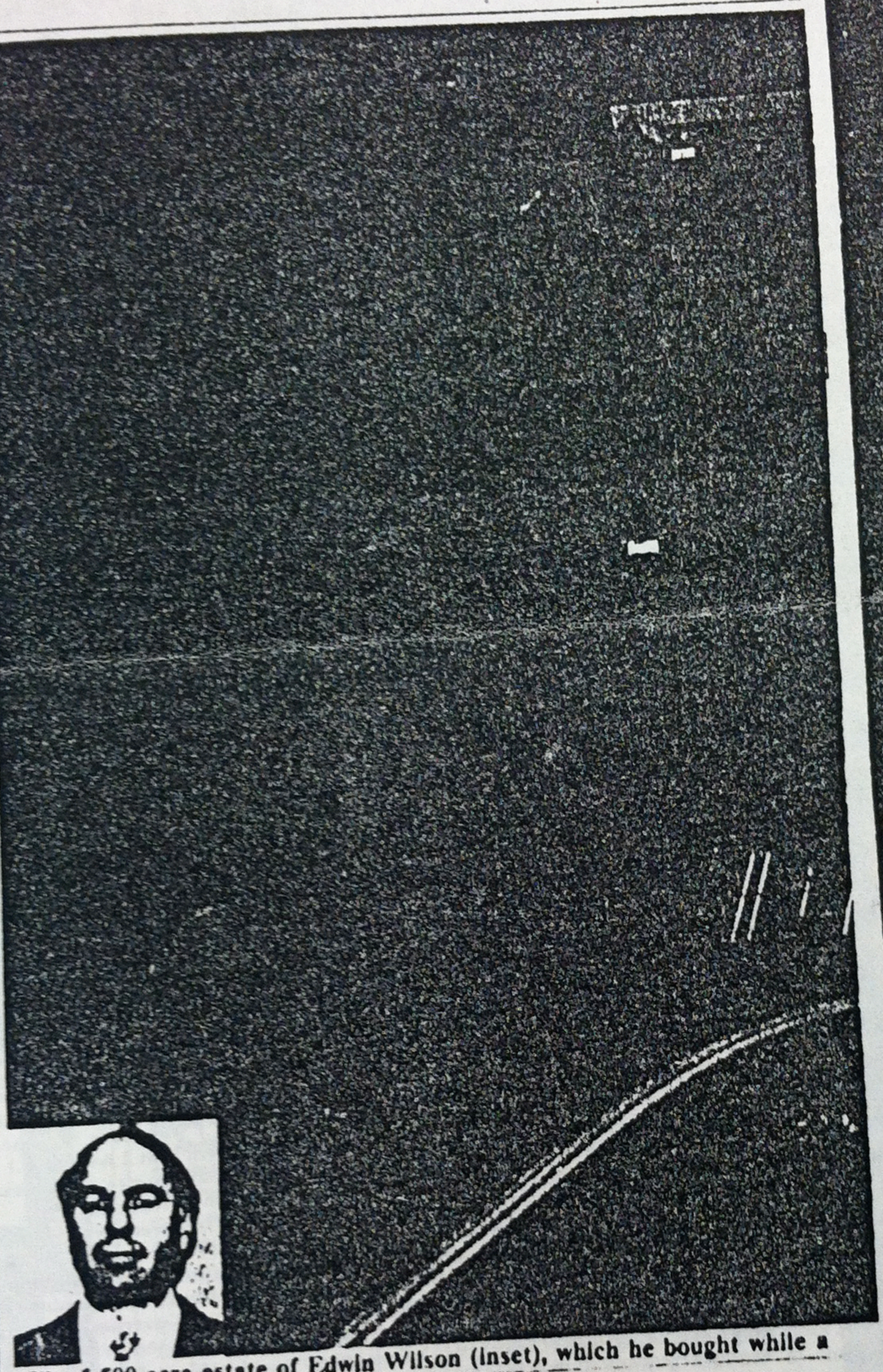
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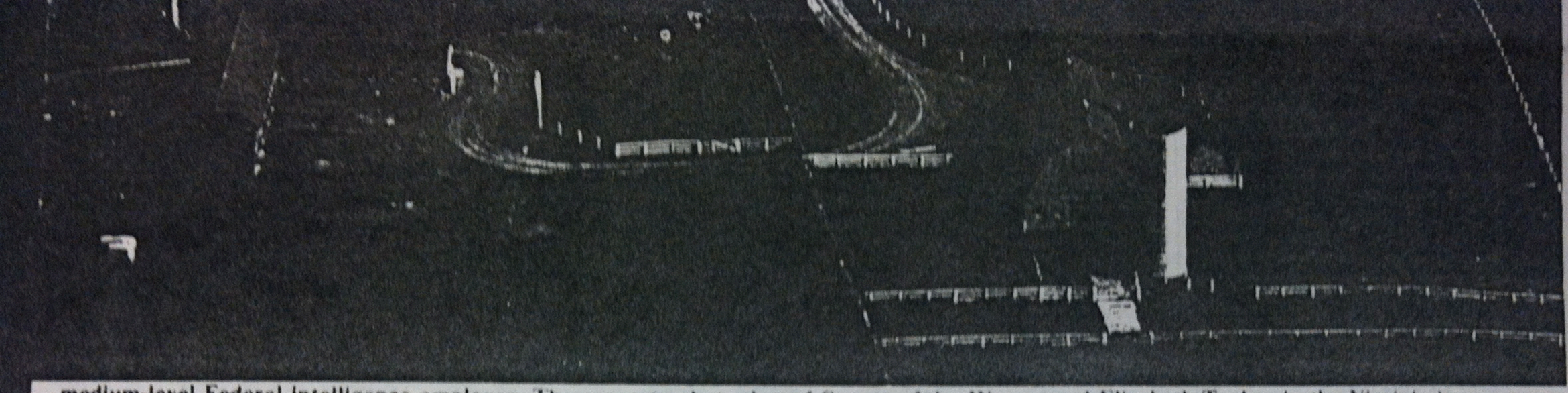


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medium-level Federal intelligence employee. The property abuts that of Senator John Warner and Elizabeth Taylor, in the Virginia hunt country.

starting place. In May 1976, Wilson had visited the company's plant in Falls Church in an effort to persuade its officers to retain his firm to represent its products around the world. Wilson brought Mulcahy and Terpil to the meeting, as well as an active C.I.A. employee, Patry E. Loomis, an agent assigned to the Far East who was operating under cover for an aircraft company. One of Loomis's functions was to serve as a liaison officer between C.I.A. headquarters and its overseas stations; he was responsible for establishing personal relationships with senior military and Government officials in the Far East. Loomis added credibility to Wilson's pitch. "Terpil was there to impress them with his contacts in the Middle East," Mulcahy recalls. "Wilson was there for Europe and Loomis for the Far East. I was there because it was told to them that I was ex-C.I.A. and would remain on-site and accessible while the others traveled."

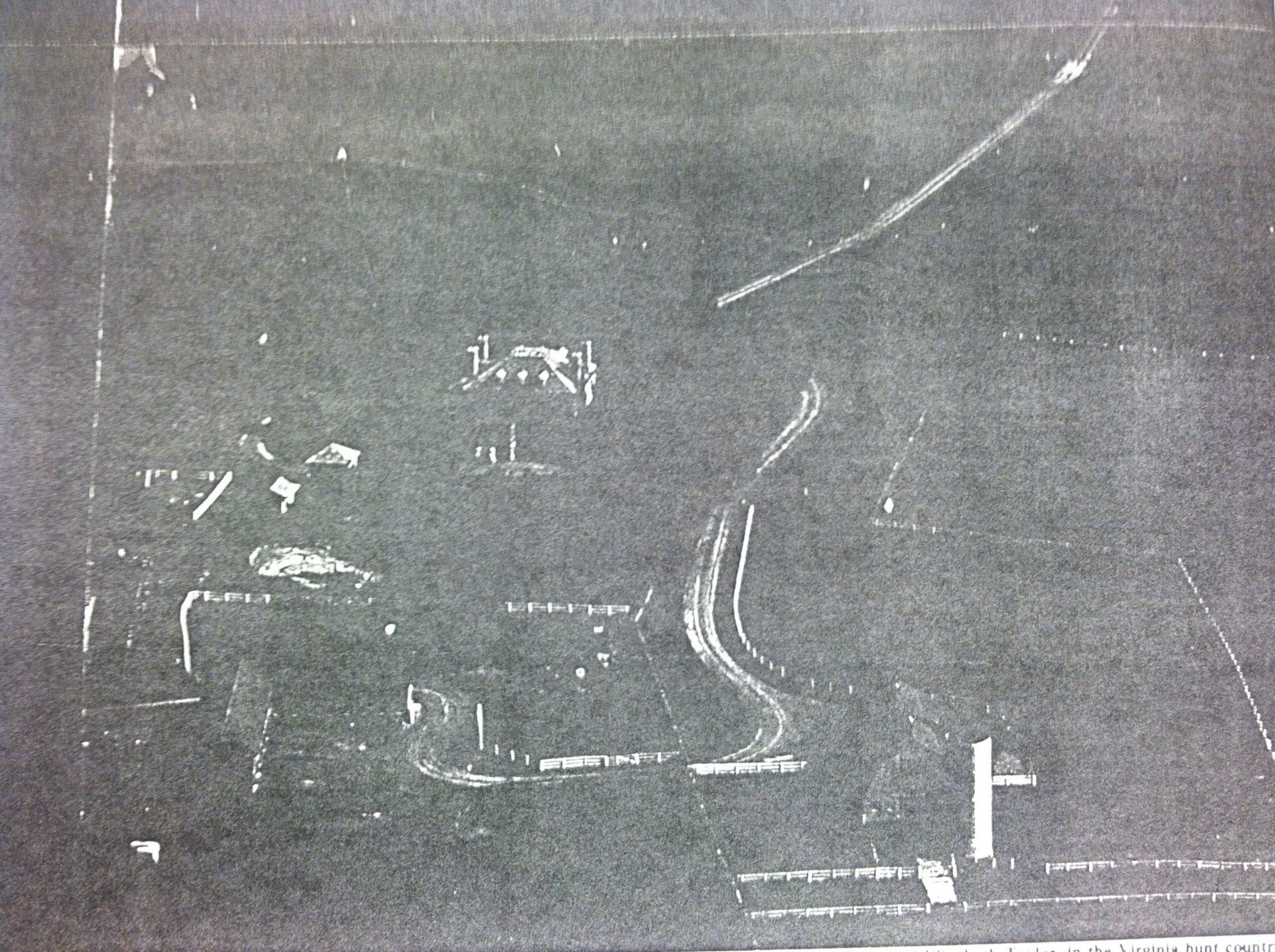
Loomis, who had been illegally moonlighting for Wilson for some time, was one of dozens of former Government employees who had been recruited by Wilson and Terpil. Government investigators have learned that Wilson's technique, as utilized in his approach to American Electronic, was to seek out intelligence and military officials with close relationships with both vital suppliers and foreign governments. These men would be retained to sell goods, ranging from canned foods to weapons, to those foreign countries. Income for his salesmen, as well as for Wilson, was extremely high, in part because the sales were often contingent on under-the-table kickbacks to Wilson's company and to foreign officials.

No agreement was reached between Wilson and senior officials of American Electronic at their meeting, but Wilson and his associates were able to leave the impression that their work was not only highly profitable but also had been officially sanctioned by the Government. In June, when the 10 prototype timers were needed, another series of meetings was set up in a Virginia bar involving three of Wilson's employees, along with William Weisenburger, then an active-duty C.I.A. official, and two employees of American Electronic, one of whom was another C.I.A. official, then working under cover. Weisenburger and the American Electronic men agreed to work privately over the weekend to produce 10 prototype timing devices at the inflated cost of $1,500 each (10 times the actual cost). Federal authorities later concluded that these men knew that there had been no official C.I.A. authorization for the job, and that senior officials of American Electronic had not known of the moonlighting. It was a project that in the months ahead struck Mulcahy as wildly ironic: He knew that many of the company's senior officials were Jewish and, he now says, "You can bet they wouldn't do anything for Libya."

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Mulcahy was beginning to get a taste of life as an international salesman,

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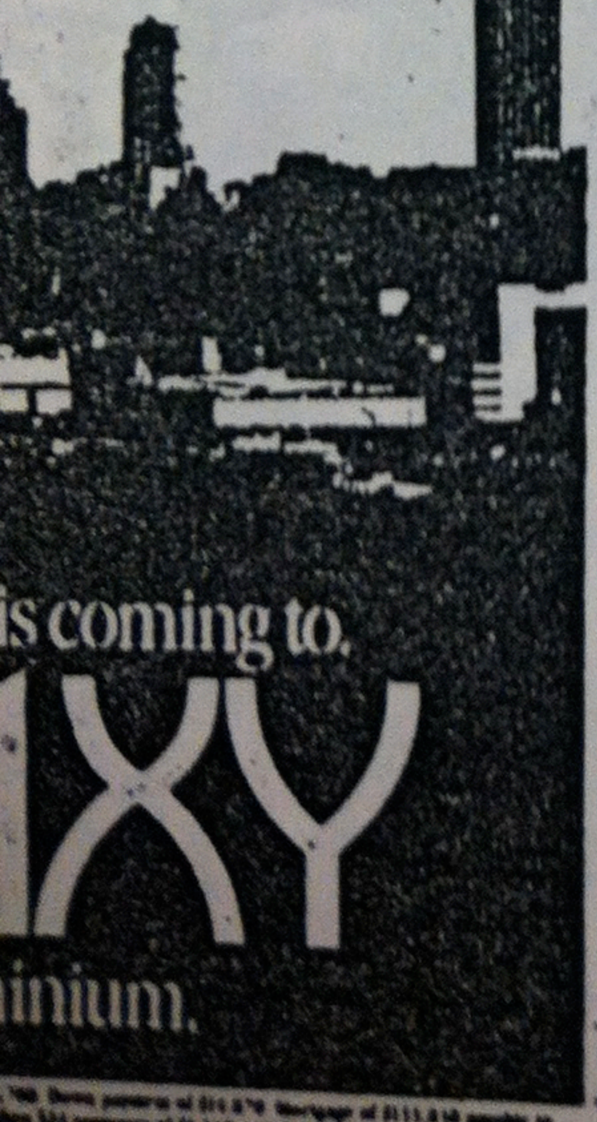
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and it was good. In June, he flew to England to set up an exhibition at a security show at Brighton. The rooms were first class. So was the food, and there seemed to be a constant series of parties, and party girls. One of Mulcahy's first customers at the security show was a Syrian company, Abdallah Engineering, which was interested in purchasing high-speed communications equipment — gear so sensitive, Mulcahy thought, that the State Department would never permit its export. "Frank told me, 'Don't worry about it. We don't need licenses. Just get the order,'" Mulcahy recalls. "By now it was obvious that Wilson and Terpil had a wide latitude for the agency."

The equipment included encoding devices and radio monitors capable of tracking, intercepting and interpreting encoded signals. There was a meeting with representatives of the Irish Republican Army, who wanted American-made M-16 rifles. Mulcahy learned that such weapons could be found in plentiful supply; North Vietnam had sold its surplus weapons — seized in huge quantities after its army overran South Vietnam in 1975 — to Samuel Cummings of Interarmco, the European-based arms dealer. It was in England also, Mulcahy says, that Terpil asked him if he wanted to earn $5,000 on his return flight to Washington by detouring to Cairo to deliver a "cold gun," one with no identifying serial number. Mulcahy refused to deliver the weapon, but did

THE MAN WITH THE CONTACTS

Edwin P. Wilson is invariably depicted by former associates as a charming, charismatic, effective, rough-and-ready, 6-foot-4 swashbuckler who excelled in his military and intelligence career. But the real reasons for his success as an international weapons dealer are the contacts he has built up during more than 20 years of work with United States Government intelligence services.

Wilson went to work for the C.I.A.'s Office of Security in 1951 and, after serving in the Marines, became a full-time C.I.A. contract employee in 1955. In the late 60's, he helped organize a Washington firm called Consultants International Inc. for the C.I.A. and the Navy. The firm's ostensible purpose was to conduct export-import operations, but that function was a cover for classified intelligence operations.

Over the next few years, his intelligence activities were combined and mingled with his private operations. He hired a number of associates, many of them with military or intelligence backgrounds, and, according to Federal officials, was routinely receiving huge kickbacks from American manufacturers and foreign governments on his procurement contracts.

The men working for him were convinced that he was still active in C.I.A. intelligence operations. "I thought he was reporting directly to the President," one former associate recalls. "Ed still must be sanctioned by the U.S. Government. The people I met were impressive. All of a sudden I'm on a first-name basis with big names in Congress and the Senate. It was always like the Government was supporting us." Robert Keith Gray, an influential public-relations man known for his close ties to the Eisenhower, Nixon and Reagan Administrations, was among those listed as a member of the board of Consultants International for five years, beginning in 1970. However, Gray, who served as co-chairman of Reagan's Inaugural Committee, expressed surprise in an interview upon being told of his official listing. "I never knew I was on the board," Gray said. "I never was invited to a board meeting." He acknowledged that he has had a social and business relationship with Wilson, whom he described as "charming and very much a red-blooded American."

In 1971, Wilson dropped his C.I.A. connection and was a part of Task Force 157, a secret Navy intelligence unit that employed 50 to 75 agents to monitor and collect information on Soviet shipping. It reported not only on routine cargo items but also watched for the covert shipment of military goods and nuclear weapons. The unit also was charged with the responsibility of picking up intelligence operatives from Taiwan and secretly ferrying them inside mainland China, where they would implant sensitive seismic monitors and radio equipment. Those operations were stopped after President Richard M. Nixon's visit to Peking in 1972, and C.I.A. officials were astonished to learn later that some of the sensitive equipment, designed solely for use inside China, was appearing for sale in the international arms market.

Wilson's first C.I.A. assignment, in the 50's, was to infiltrate the Seafarers International Union, in which he was eventually appointed to a number of official positions. He also was involved in Congressional lobbying on behalf of the union and apparently began then forming his close relationship with a number of influential members of Congress. Wilson became a C.I.A. specialist on maritime issues and was involved in the procurement of equipment for clandestine Navy operations. During the Bay of Pigs, he was assigned as a paymaster and handled procurement as well. He later served in Southeast Asia and Latin America.

A full accounting of Wilson's connections and business activities may never be known. He has boasted of having a controlling interest in more than 100 corporations in the United States and Europe. — S.M.H.



Libyans (aided by ex-C.I.A. men) during their recent Chad invasion.

learn months later that Qaddafi had provided Terpil and Wilson with a $1 million contract to assassinate Umar Abdullah Muhayshi, a Libyan defector who had plotted to overthrow Qaddafi's regime. The assassination assignment had been subcontracted by Wilson to three anti-Castro Cubans in Miami with whom he had once worked in the C.I.A. "Frank was playing both ends against the middle," Mulcahy recalls. "He was setting up an elaborate security system for the guy in Egypt to protect him while at the same time trying to bump him off."

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Mulcahy and Terpil got along well and the two men exchanged many confidences during their trips together. "Frank tends to talk a lot; he likes to name-drop," Mulcahy says. "What charges Frank's batteries is the thrill of the chase, the excitement, being on the periphery of power. He thrives on it." In time, Mulcahy said, he came to realize that there was more truth in Terpil's seemingly wild stories than he had thought.

Wilson is more discreet and far more dangerous, Mulcahy said. "Ed is devious and cunning and he's living a lie — that he is the most important human being alive. He'll use anything to manipulate people or events to get them to come out in his favor. He's absolutely brilliant in the way he sets a deal up, puts people together and parcels out information. Ed compartmentalizes his own operation the same way the agency does. It allows him to play both ends against the middle and come out the winner. If Ed comes back and goes on trial, he's going to use every bit of information he's stored up for years to get the C.I.A. in court and put the agency on trial instead of Ed Wilson." In fact, Wilson's attorney in Washington, Seymour Glanzer, has repeatedly told Federal prosecutors that the whole story of his client's involvement in Libya has not been aired. Glanzer, in a telephone interview, refused to comment. But the prosecutors have inferred from conversations with him that his defense will be: Wilson is still at work for the C.I.A. There is no known evidence that this is the case, however.

Mulcahy immediately sensed Wilson's essential toughness, but there was nothing unusual about such men inside the C.I.A. and it was a characteristic that could be admired. Mid-1976 was a period of travail for the C.I.A., which was under attack in the press for its illegal domestic spying activities and under investigation by the Senate Intelligence Committee for its foreign assassination efforts.

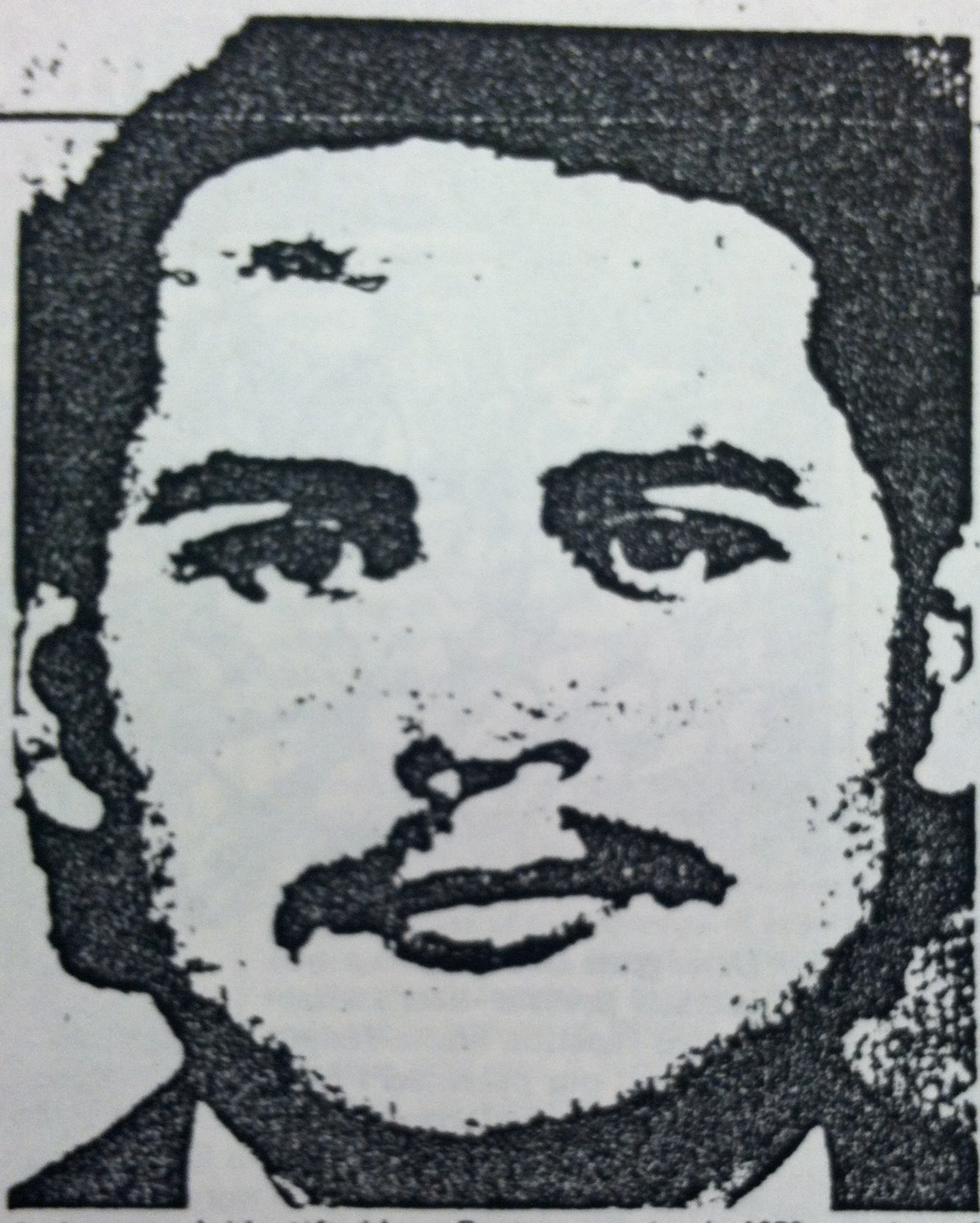
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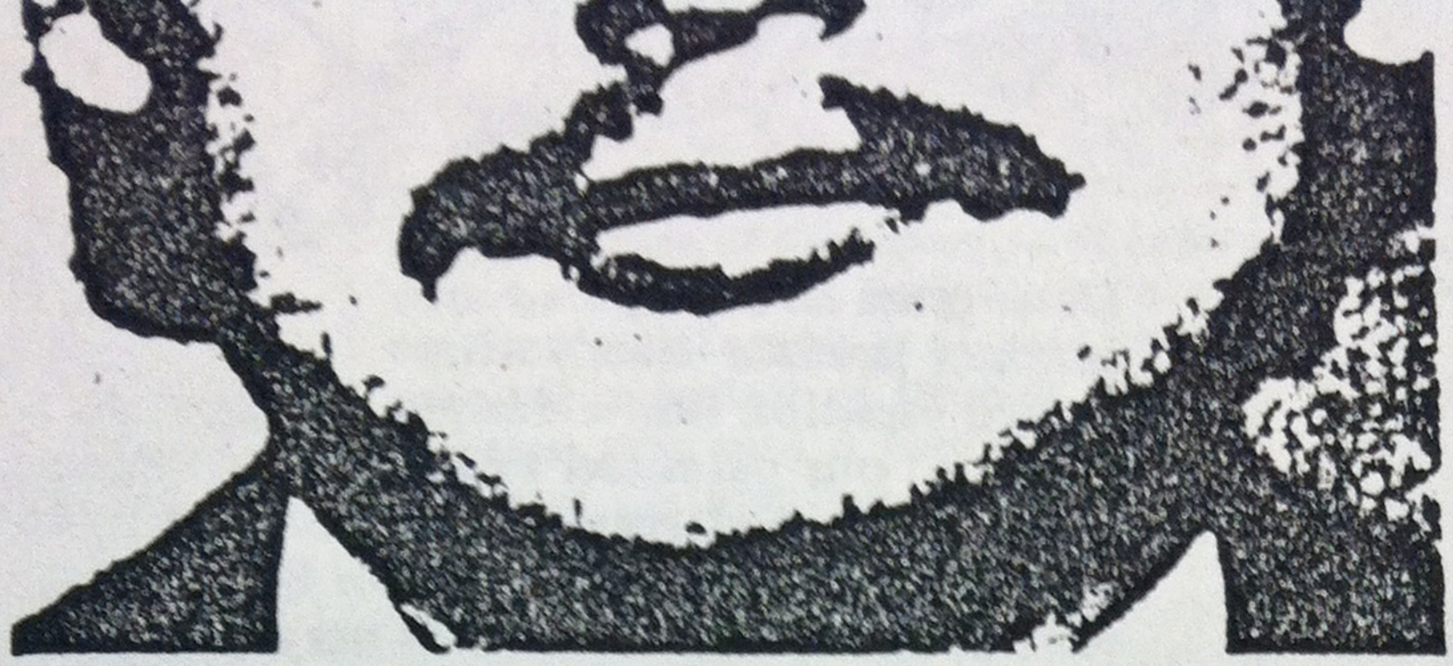
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A photograph identified by a Paris magazine in 1979 as that of the Jackal — the wanted international terrorist Carlos Ramirez.

Mulcahy learned, shortly after joining Wilson and Terpil, that President Ford had placed severe new restrictions on clandestine C.I.A. activities. Wilson and Terpil suddenly became more legitimate in his eyes: "I thought it was logical that the agency would set it up

hundreds of closely controlled and sophisticated infrared night-vision devices for M-16 rifles, which were primarily designed for use by snipers in warfare. Not all such sales went to Libya. Mulcahy says he was directly involved in the illegal sale of 2,000 rounds of



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During that summer, Mulcahy edged closer to the line of illegality and, in at least one case, crossed it. He recalls that Wilson and Terpil were selling munitions, communications equipment and highly restricted night-vision devices without preliminary clearance from the Office of Munitions Control in the State Department and the export control division in the Commerce Department. In one case, Wilson and Terpil purchased a United States Army vehicle equipped with night-surveillance equipment for shipment to Libya, in direct violation of all regulations. To avoid any possible problem, the vehicle was first sent to Canada and transshipped from there to Tripoli. The risks of such flagrant activity were high, but so were the rewards. The vehicle cost about $60,000 to purchase in the United States and was sold to the Libyan Government by Wilson and Terpil for $990,000, Federal prosecutors later learned. Similarly, Terpil and Wilson provided Qaddafi with hundreds of closely controlled and sophisticated infrared night-vision devices for M-16 rifles, which were primarily designed for use by snipers in warfare. Not all such sales went to Libya. Mulcahy says he was directly involved in the illegal sale of 2,000 rounds of ammunition to the South African Government, and he used falsified documents to label the ammunition as "plumbing fixtures." This and other sales, he says, were arranged through Sven K. H. Hoffelner, an Austrian arms dealer who also owns a successful group of restaurants in London. Hoffelner had established a close working relationship with Terpil by the time Mulcahy joined the operation.

□

In July 1976, after his return from England, Mulcahy learned that only six of the 10 timing devices sent to Libya had worked. The demonstration of the devices was made in Libya by John Henry Harper, who had spent more than 20 years as a bomb and ordnance technician for the C.I.A. and who had joined American Electronic after he retired. Two of the timers had failed, Mulcahy was told, because Harper had miswired them. Libya's reaction to the demonstration was puzzling to Mulcahy: Although nearly half the devices had failed to work, the

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Officials (left) with Arab terrorist before the 1972 Munich massacre.

Libyans were still willing to order 100,000 for immediate delivery. A few weeks later, Terpil returned from a visit to Libya with an increase in the order to 300,000 timers. "I didn't get suspicious," Mulcahy recalls, "until Frank came in with the order for 300,000. I knew damn good and well that there was no way there was a need for 300,000 timers — there weren't 300,000 mines in the harbors and deserts from the Six-Day War as well as World War II."

At this point, Mulcahy understood that Wilson's story about mine-clearing in Libya was false, but he thought it was shielding a C.I.A. operation, and not serving as a cover for a terrorist-support program. The cover story was beginning to erode. Whatever concerned Mulcahy was quietly suppressed over the next few weeks, however: "I was impressed by the money and the possibility of making a fortune."

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Everybody smelled the big money that night in the bar. Mulcahy later learned that the final contract with Qaddafi called for a total payment of $35 million for 500,000 timers whose cost to supply, he knew, would be somewhere around $2.5 million. Even in the international-arms business, profits like that are not easy to come by.

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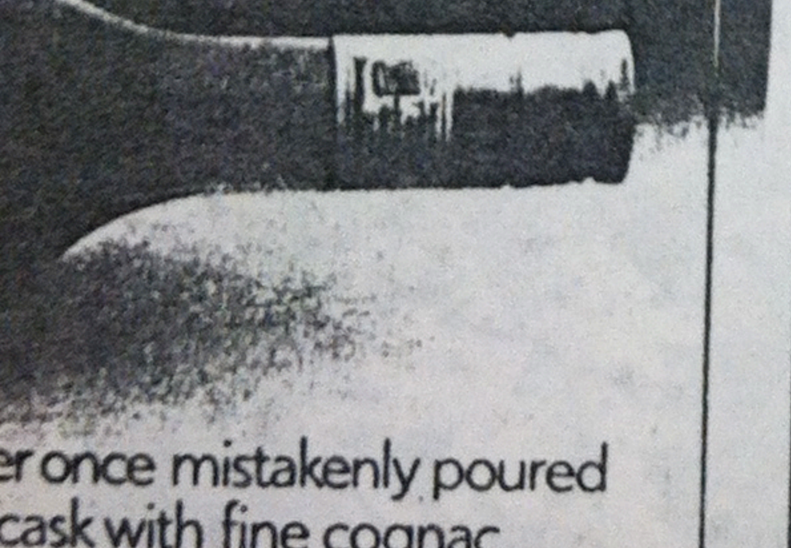
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SCOVERED BY MISTAKE
IN 1552.



Officials (left) with Arab terrorist before the 1972 Munich massacre.

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By this time, it was clear that the senior officers of American Electronic could not be persuaded to build 300,000 timers without verifying the order with the C.I.A. There was yet another scramble: This time to find a manufacturer who could begin delivering the timers within 45 days. Another Friday night meeting in a Virginia bar was arranged with Mulcahy and representatives of another long-time C.I.A. supplier, Scientific Communications Inc. of Dallas. Terpil had found the company, whose president, Joe L. Halpain, later agreed to manufacture 500 prototype timers within 30 days. At the Friday night meeting was William Weisenburger, then a branch chief in the C.I.A.'s Technical Services Division — the group responsible for producing the special weapons and safety devices that have been popularized by the James Bond movies. Thomas G. Clines, then a senior official in the C.I.A.'s Office of Training, also was in the bar that night, sitting with Ed Wilson. Mulcahy spent the night table-hopping as the manufacturing plans were worked out. Clines was well known inside the agency for his closeness to Ted Shackley. Like the others, Clines had played a role in the Bay of Pigs. After Shackley's retirement from the C.I.A. in 1979, he and Clines would set up a consulting firm.

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Wilson's major concern was time; he had promised the Libyans that he would set up a manufacturing laboratory near Tripoli for the production of assassination weapons in August. Qaddafi, in turn, promised to pay him $1 million in cash immediately upon arrival of the first batch of timers, explosives and other equipment that would be needed. Manufacturing the weapons themselves in Libya would be no problem; men such as John Harper, who was paid more than $2,000 a week by Wilson and Terpil, agreed to go to Libya and begin training Libyans in the art of disguising explosives in ashtrays, flowerpots, lamps and other household goods that could be triggered by delayed timing devices. Scientific Communications came through on its promise to deliver the proto-

type timers within 30 days. The Texas company had handled legitimate and sensitive contracts for the C.I.A., but this one was different and the firm's president, Joe Halpain, knew it. He personally delivered the timers, hidden in plastic-prescription bottles for export to Libya, to a motel near C.I.A. headquarters, where they were picked up by Wilson and Mulcahy. Far more difficult were the issues of where to purchase the volatile chemical explosives needed for the production of the assassination weapons and how to slip them into Libya. The necessary explosives included TNT and a variety of lethal *plastiques* — among them RDX, formally known as cyclotrimethylene trinitramine — which were designated as Class A explosives by the Department of Transportation and could not be shipped on passenger and cargo aircraft. Wilson and Terpil again reached into the ranks of C.I.A. contractors and found a California firm, J.S. Brower and Associates of Pomona, which agreed to supply the chemicals, all of which were considered defense articles that could not be exported without Federal licensing.

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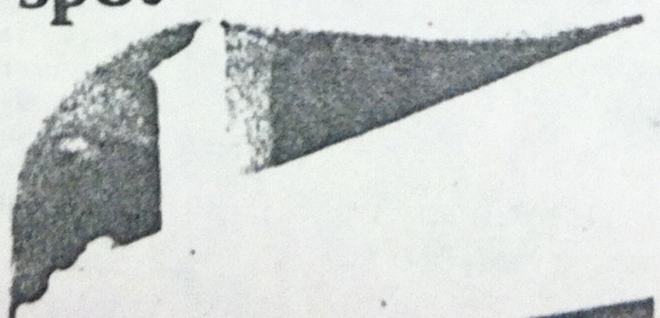
One problem remained: how to get the timers and explosives into Libya. In early August, 1976, Mulcahy attended a meeting at the offices of Inter-Technology in Washington with a cargo sales manager of Lufthansa German Airlines, which has passenger service from Germany to Tripoli. The sales manager, Walter Doerr, categorically refused to ship the explosives, legally or otherwise, on a passenger craft. And he refused to charter a special cargo plane because of the high risk of explosion. Later that day, Terpil arranged a meeting with Jerome S. Brower, the 61-year-old president of Brower and Associates, who was a highly respected figure in his industry (and later was asked to advise Congress's Office of Technology Assessment on a proposed method of marking and tracing explosives used in international terrorism). Brower was shown a list of all the chemicals that Inter-Technology wanted to purchase for the Libyan operation. Mulcahy recalled that Brower immediately exclaimed: "Hey, you don't need all this stuff for mine clearance."

Wilson explained that the company was setting up a laboratory in Tripoli and doing some demonstrations work. "He didn't say precisely what we were doing," Mulcahy recalls, "but it was obvious. Wilson went further than I'd ever heard in explaining the scope of the entire project. There was an enormous potential for follow-up business which removed any inhibitions Brower had." Mulcahy marveled at Wilson's ability to handle Brower: "Brower had never done any business with either of these guys before and here he is agreeing to sell and ship explosives to Libya." Brower immediately raised his price and demanded partial payment in advance. Wilson and Terpil agreed to pay nearly $38,000 on account, Mulcahy says, and the California businessman



"Each time we come to Bermuda, we find some marvelous little spot we never knew existed."

Harry and Jeannette Gregor on their 14th visit to bermuda.



"The day we visited St. George's,



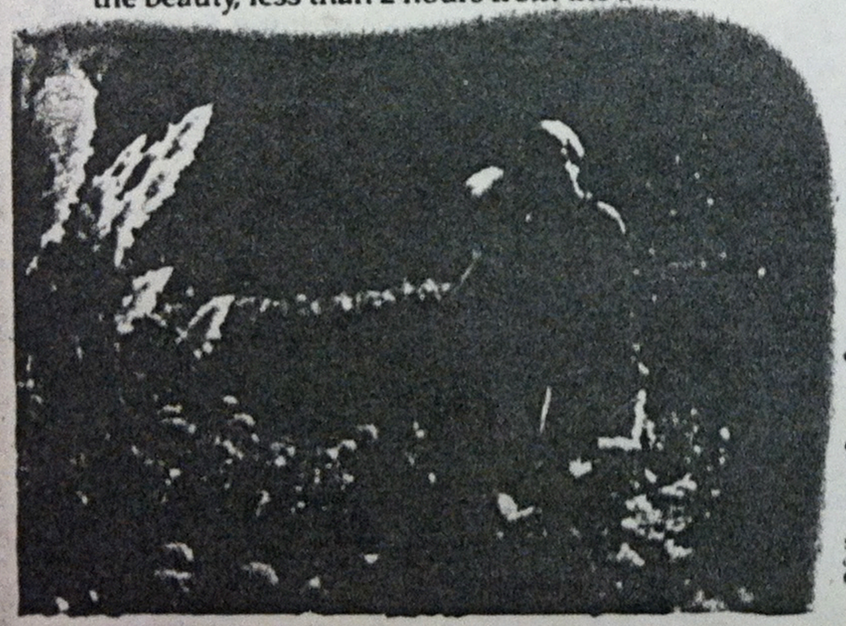
"Each time we come to Bermuda, we find some marvelous little spot we never knew existed."

Harry and Jeannette Gregor on their 14th visit to Bermuda.



"The day we visited St. George's, we made a lot of new friends. They make you feel so at home here."

"It's incredible, the lushness and the beauty, less than 2 hours from the States."



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RDX, the most lethal and unstable material, was to be placed inside 55-gallon drums in webbing and the drums then were to be filled with a gel substance. The explosives were to be shipped East, to Dulles Airport, marked as "industrial solvent," on the first available passenger flights, Mulcahy recalls. Once at Dulles, they were consolidated into one shipping container, along with the timers and the industrial tools and workbenches needed to set up the explosives laboratory in Libya. Then they were forwarded to Europe for transshipment by Lufthansa passenger planes to Tripoli without knowledge of the airline. All of the men involved in the meeting in Washington understood the implications of what they were doing, Mulcahy says: "The nitro could have blown if the plane hit an air pocket."

Brower was indicted in April 1980,

(Continued on Page 72)

A 16th century cognac maker once mistakenly poured fresh juice from his grapes into a cask with fine cognac.

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Weisenburger, who had retired from the C.I.A. in 1973, was hired by Wilson and Terpil to help them obtain the explosives and weapons they would need for the Libyan operation. Weisenburger, who had been in charge of the C.I.A.'s Technical Services Division from 1962 to 1969, was well acquainted with the Agency's sources for explosives and weapons. He was also familiar with the Agency's methods for shipping arms and explosives overseas. Weisenburger, who was paid more than $2,000 a week by Wilson and Terpil, agreed to go to Libya and begin training Libyans in the art of disguising explosives in ashtrays, flowerpots, lamps and other household goods that could be triggered by delayed timing devices. Scientific Communications came through on its promise to deliver the prototype timers within 30 days. The Texas company had handled legitimate and highly secret contracts for the C.I.A., but this one was different and the firm's president, Joe Halpain, knew it. He personally delivered the timers, hidden in prescription bottles for export to Libya, to a motel near C.I.A. headquarters, where they were picked up by Wilson and Mulcahy. Far more difficult were the issues of where to purchase the volatile chemical explosives needed for the production of the assassination weapons and how to slip them into Libya. The necessary explosives included TNT and a variety of lethal plastiques — among them RDX, formally known as cyclotrimethylene trinitramine — which were designated as Class A explosives by the Department of Transportation and could not be shipped on passenger and cargo aircraft. Wilson and Terpil again reached into the ranks of C.I.A. contractors and found a California firm, J.S. Brower and Associates of Pomona, which agreed to supply the chemicals, all of which were considered defense articles that could not be exported without Federal licensing.

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Continued from Page 68

along with Wilson and Terpil, for his role in illegally conspiring to ship the explosives with knowledge that they would be used to "kill, injure and intimidate individuals." After pleading guilty and agreeing to cooperate with Federal investigators, he was fined $5,000 last December and sentenced to a five-year prison term, with all but four months suspended.

The meeting with Brower had resolved the final stumbling block and Wilson flew to Libya, where he was to conclude the arrangements for establishing the weapons laboratory and to be on hand to insure the careful handling of the shipment of "industrial solvent" from the United States. He also would receive the promised million-dollar payoff from Qaddafi.

□

Kevin Mulcahy, meanwhile, flew to Europe for a meeting in London with Terpil and a group of British arms dealers. There was the inevitable party early one balmy Sunday afternoon, thrown by Sven Hoffelner, the trade link to South Africa. Hoffelner had rented a barge and as it was being poled along a canal near Oxford in the bright sun, Mulcahy began taking casual snapshots of the revelry. Terpil saw his camera, Mulcahy recalled, and "went berserk. He got all red in the face; he was really, really nervous and told me to put the camera away before 'you end up dead.'"

Later that evening, Terpil explained that one of the guests on the barge was Carlos Ramirez, known to police throughout the world as "the Jackal" — the international terrorist believed to be responsible for planning the 1972 Olympics massacre in Munich, a deadly raid on the Fiumicino Airport in Rome and numerous aircraft hijackings. There was no photograph of Ramirez in existence, Terpil told Mulcahy; the "Wanted" posters on display at airports throughout the world contained only a composite drawing. Terpil also told Mulcahy that Ramirez was living in barracks No. 3 at the former Wheelus United States Air Force base in Libya. Terpil seemed awed by Ramirez, who was accompanied at the party by Sayad Qaddafi, chief of Libyan intelligence, identified by Terpil as Qaddafi's cousin and the second most powerful man in Libya.

□

Mulcahy was now in far too deep and he knew it.

It was late August and John Harper and other Wilson-Terpil employees were at work in Tripoli setting up the munitions laboratory for terrorist bombs and a training program for their effective use. Wilson and Terpil made it clear to Mulcahy that they did not want him to go to Libya. Mulcahy kept his now grave doubts to himself and continued on his business trip, moving on to Copenhagen and another series of meetings. Terpil returned to Libya, and he and Wilson suddenly dispatched an urgent cable to Copenhagen: Mulcahy was to break off his trip and return to Washington to open negotiations there with the General Dynamics Corporation for the purchase of one of its Redeye ground-to-air missiles. General Dynamics had advertised in trade journals that it had 18 Redeyes for sale to legally acceptable buyers. The missile, which could not be exported to Libya under the law, is shoulder-launched and has a heat-seeking component that enables it to track and destroy aircraft in flight. It had been used extensively and successfully by the Israelis during the 1973 war. "My problem was not to worry about the paperwork," Mulcahy says. "Terpil and Wilson had a pilot in Pennsylvania who would fly anywhere. Once he got over the water" — and away from American legal jurisdiction — "he would change the paper." If the Redeye had been purchased, the pilot would simply change the intended recipient listed on the export license, from an approved ally, such as those in NATO, for example, to Libya.

Altering the State Department's export license, known officially as the end-user certificate, was considered so much a normal part of the arms business by Wilson and Terpil that Mulcahy had been authorized to quote prices 8 percent to 12 percent higher if the sale also required supply of the certificate. Mulcahy was unnerved by his sudden assignment and discussed it with an associate in Copenhagen — a foreign military attaché stationed in Denmark who had a reputation for legitimate operations. "My friend told me that the only reason Libya would want one Redeye was for use in a terrorist attack," Mulcahy says. "We speculated that Qaddafi probably wanted to be the first to shoot down a 747. To hit a fully loaded passenger plane in flight would be bigger than the destruction of planes at Dawson Air Field in Jordan," when P.L.O. terrorists in 1970 blew up three international airliners and held scores of passengers hostage.

Mulcahy had a leisurely dinner and began walking the streets of Copenhagen. He couldn't sleep. He recalled a trip he and Terpil had taken to a firm called Defense Apparel in Hartford, Conn., where Terpil discussed the possible purchase of up to 100,000 suits that would protect humans exposed to radioactivity. Could the Redeye carry a nuclear warhead? He knew now he would never place the Redeye order.

"I watched the sunrise come in Copenhagen," Mulcahy recalls, "and knew what I had to do — get back to Washington fast. I had to find out what paperwork existed" in the Inter-Technology offices he shared with Wilson and Terpil. "I felt that Frank and Ed were giving Qaddafi any goddamn thing he asked for." ■

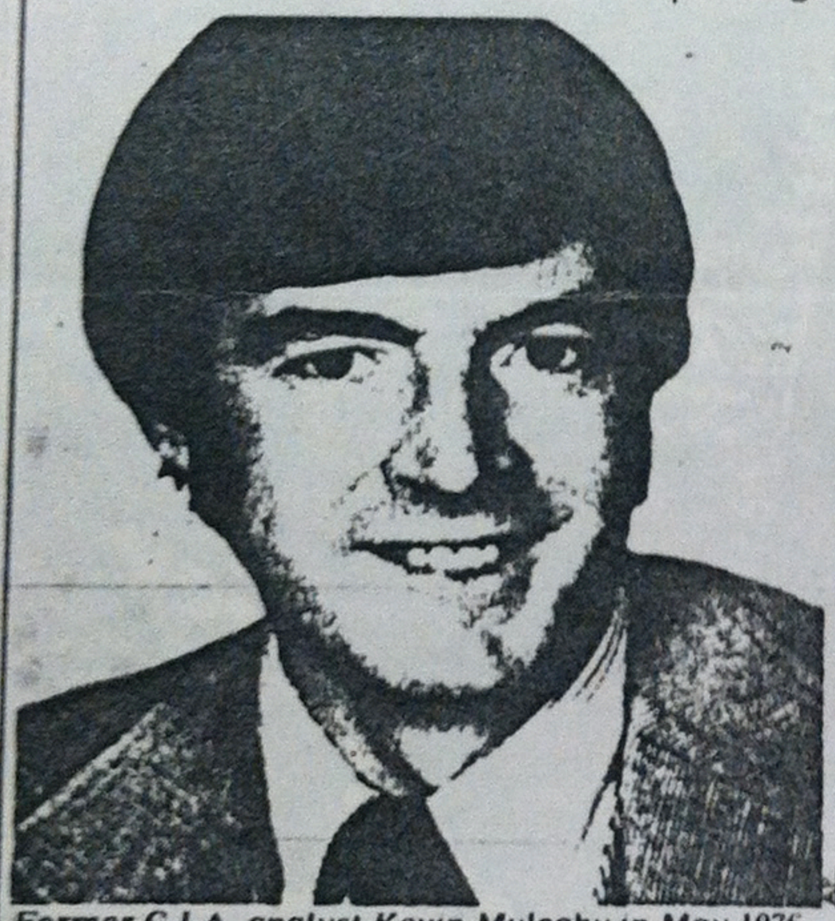
NEXT WEEK

Kevin Mulcahy goes underground to save his life. The Government drags its feet in the arms-export investigation, while some former American C.I.A. and military men continue exporting the hardware of terrorism — timers and explosives, for example — and train Libyans for assassination.

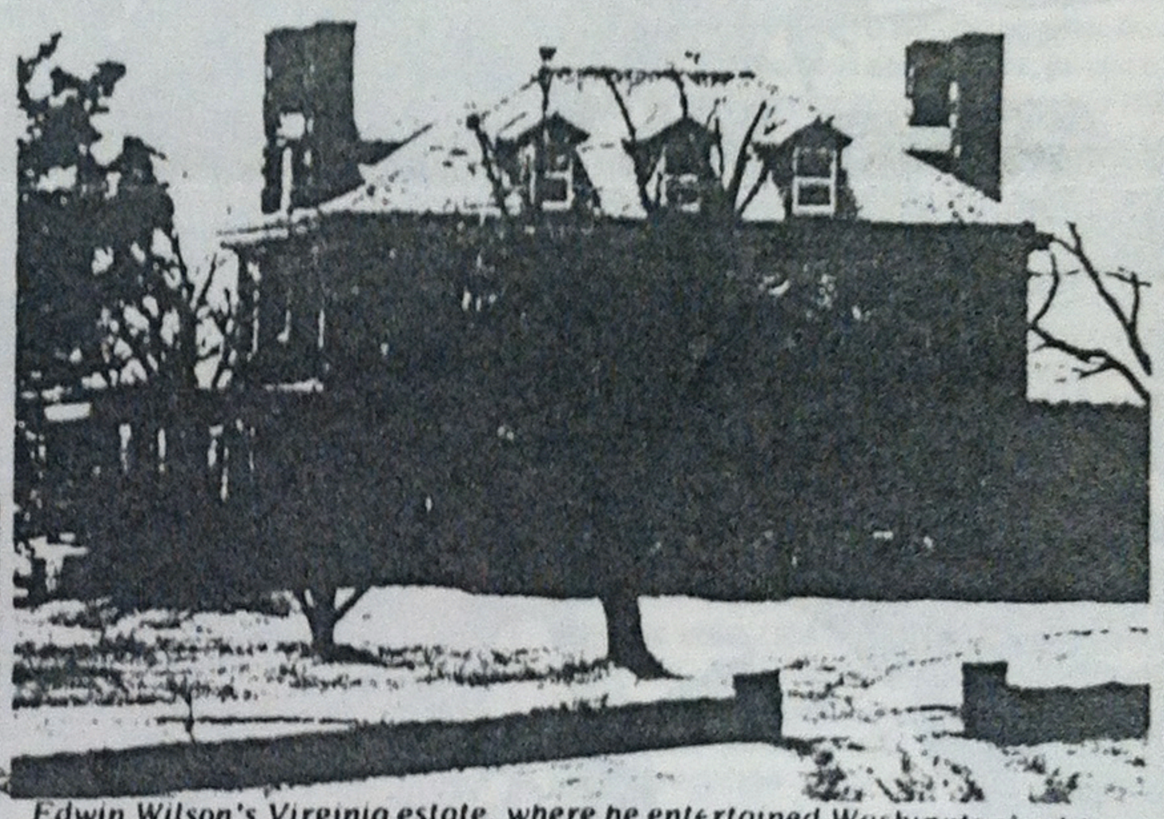
PRIOR CR-

EXPOSING THE LIBY

Five years ago, two former operatives of the Central Intelligence Agency made a deal with Col. Muammar el-Qaddafi to supply the Libyan strongman with explosives for huge sums of cash. They also hired former Green Berets to set up a secret training school to teach the Libyans the latest techniques in assassination and international terrorism. As a cover for these operations, the two men, Edwin P. Wilson and Frank E. Terpil, operated several seemingly legitimate export companies. To head one such company, they hired another former C.I.A. employee, Kevin P. Mulcahy. For a long time, Mulcahy let himself believe that the entire operation was really part of an unofficial but approved American intelligence operation being carried out by an "old-boy" network of former Government workers, intelligence agents and Green Berets with strong and lasting connections to Washington officialdom. In this, the second of a two-part series, Mulcahy discovers that the Qaddafi connection is illegal and not an intelligence operation, and, at considerable personal risk, goes first to the C.I.A. and then to the F.B.I.



Former C.I.A. analyst Kevin Mulcahy in May 1976.



Edwin Wilson's Virginia estate, where he entertained Washington's elite.

By Seymour M. Hersh

Shortly before midnight on a muggy Washington Sunday in September 1976, Kevin P. Mulcahy, a former C.I.A. analyst who was then in the export business, telephoned the duty officer at agency headquarters in McLean, Va. "There are problems overseas," Mulcahy said without elaboration, and he had to talk immediately to the agency's assistant to the deputy director of clandestine operations. Mulcahy would wait for a return call.

The call came within the hour. On the telephone was Theodore G. Shackley, one of the most influential men in the C.I.A. Mulcahy had a disturbing tale to tell. The firm of which he was president had agreed to sell the hardware of terrorism — explosives and delayed-action timers — to Libya's Col. Muammar el-Qaddafi. Moreover, the firm had also agreed to set up a training school to teach Libyans the latest in the techniques of terrorism and political assassination. Only days before, Mulcahy told Shackley, he had been ordered to purchase an American-made Redeye missile, a weapon capable of shooting down a commercial airliner, for delivery to the Libyan ruler. Mulcahy's two business partners, Edwin P. Wilson and Frank E. Terpil, who had brought Mulcahy into the firm, were themselves former C.I.A. operatives.

Now, on the telephone, Mulcahy asked Shackley: "Is this a C.I.A. operation or not?"

Shackley was noncommittal, and Mulcahy now knew that his worst suspicions were correct: The Wilson-Terpil operations did not have the sanction of the C.I.A. He knew that in the close-knit world of Government intelligence word would somehow get back within days to Mulcahy's partners that he had gone to the authorities. So he quickly went into hiding, disguising his appearance and using a false name. But he anticipated that his partners and their associates would be quickly seized, convicted and imprisoned. He expected this would happen not only for his own well-being, but also to stop an operation he believed inimical to the national-security interests of his country and to world peace.

But things did not work out that way. The Federal law-enforcement agencies eventually became enmeshed in a long series of bureaucratic rivalries and intrigues that hampered and delayed the investigation. There was another complication: a lack of Federal statutes that expressly barred acts of terrorism by Americans abroad.

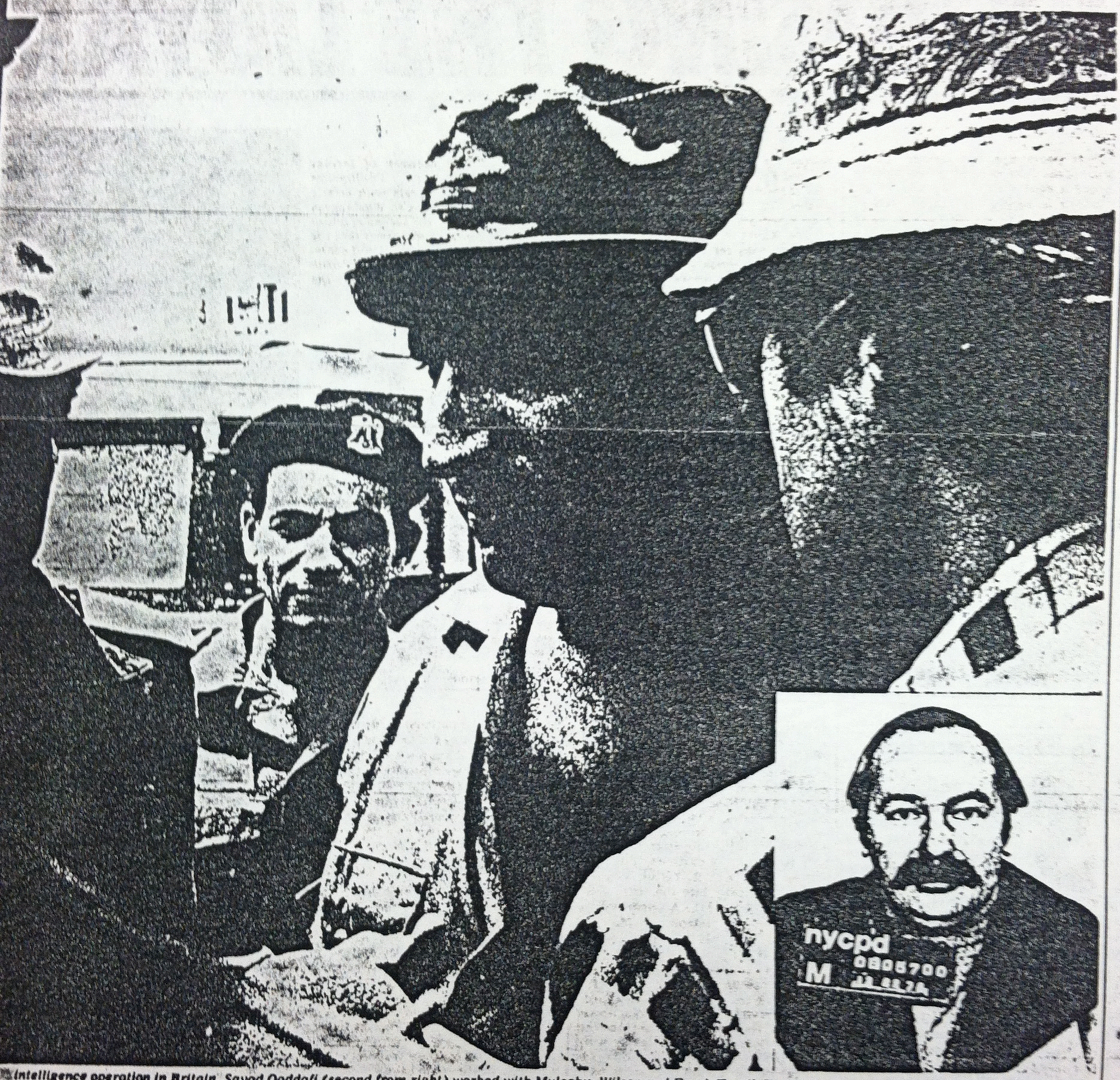
Mulcahy found himself in limbo, not a fugitive from justice but, in a sense, a captive of it. Over the coming months, there were no quick arrests. And while he was in hiding, Wilson and Terpil were steadily expanding the scope of their operations inside Libya. They arranged for illegal shipment of more than 40,000 pounds of explosives to Libya and continued to recruit former Green Berets and Government ordnance experts for their training school. Qaddafi is believed to have relied on the American-provided matériel and training in his efforts to expand his influence in the Middle East and North Africa, including the invasion earlier this year of neighboring Chad. The Libyan ruler is suspected, too, of having ordered the political assassination of 10 or more of his political enemies living in exile.

Seymour M. Hersh, a former reporter for The New York Times, is at work on a book about Henry Kissinger to be published by Summit Books.

In mid-1976, when he

LINK

The Qaddafi Connection / Part 2 In 1976, a former Central Intelligence Agency analyst revealed to Federal authorities the link between two former C.I.A. men and Libyan terrorism — only to face four years of delays in the investigation before indictments were brought against those men, who remain at large to this day.

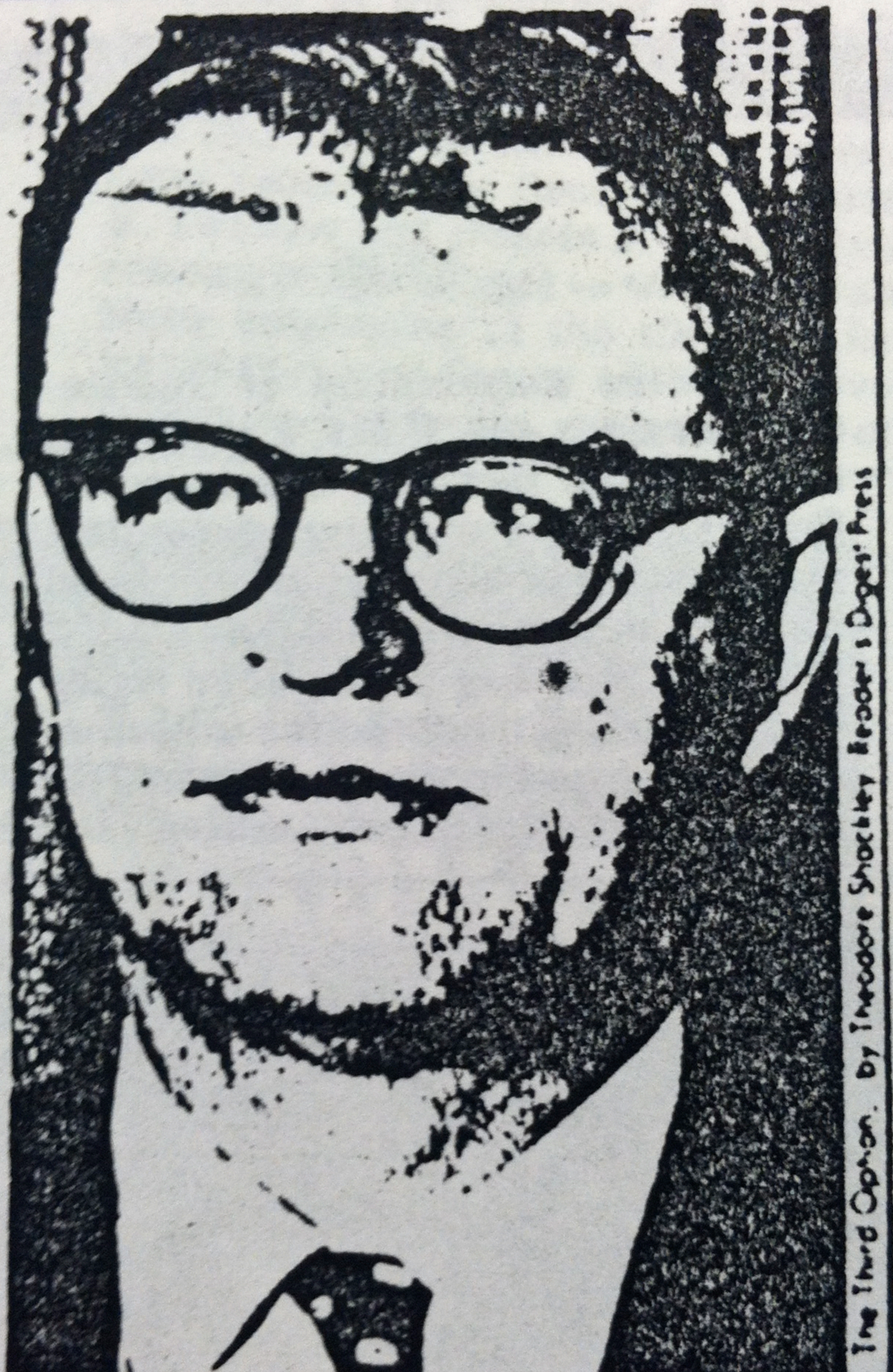


Intelligence operation in Britain, Sayad Qaddafi (second from right) worked with Mulcahy, Wilson and Frank Terpil. Terpil (inset) was arrested in late 1979 in New York.

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Theodore Shackley, a key C.I.A. official at the start of the Wilson-Terpil probe.

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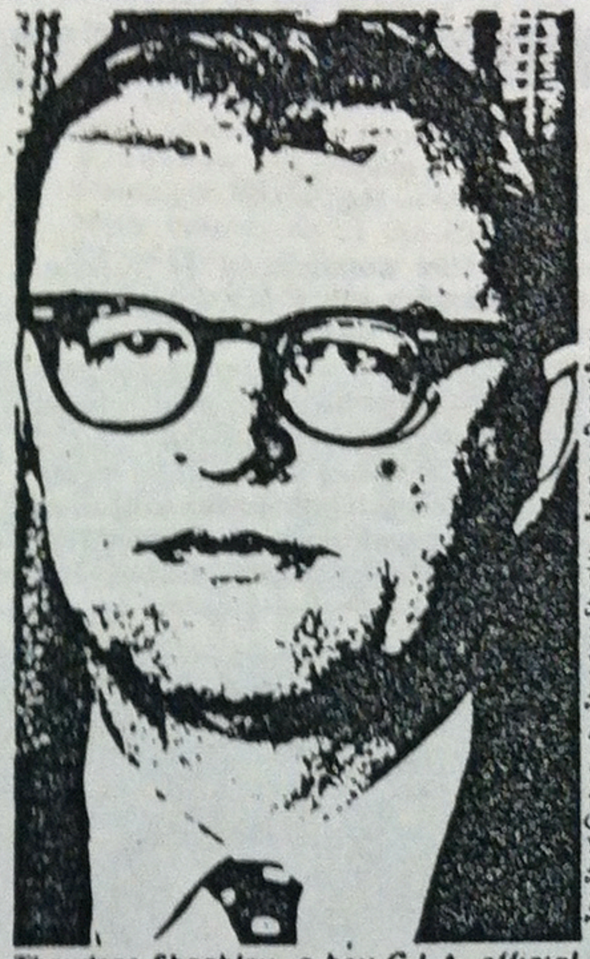
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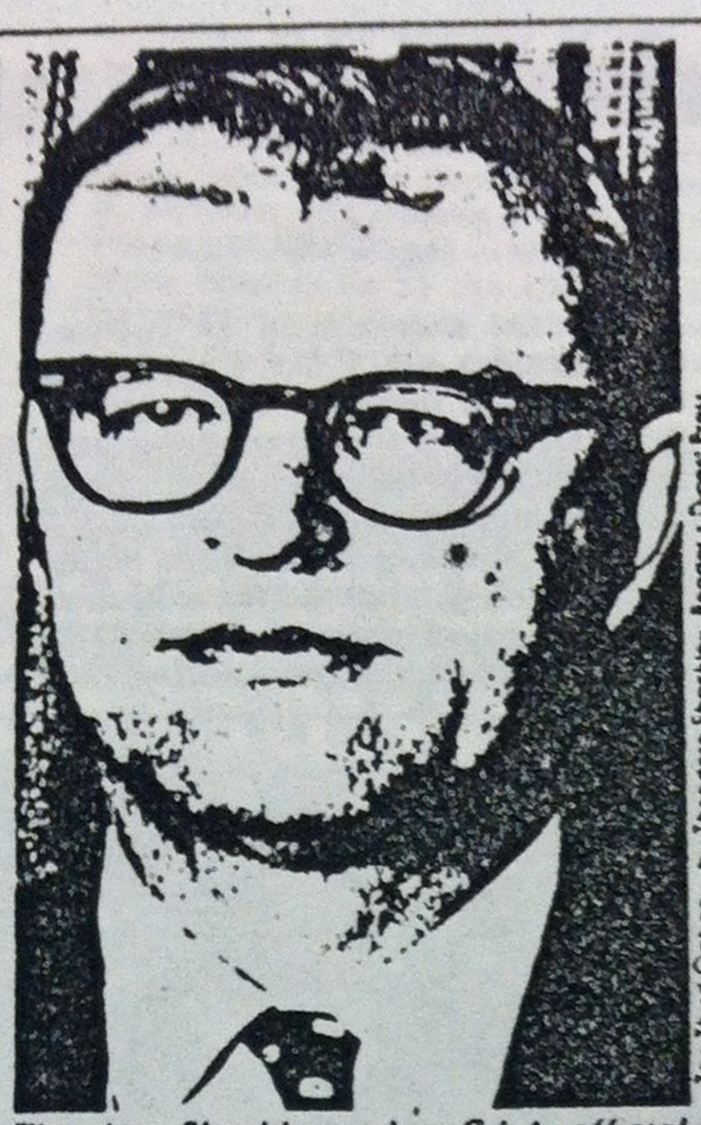
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ing them to retire from the military and join the operations in Libya. In those contacts, the Green Berets later told a Federal grand jury, there once again was the suggestion that everything had been sanctioned by the agency.

Evidence in the Wilson-Terpil case had been forwarded by the F.B.I. to the Foreign Agents Registration section of the Department of Justice. Complicating the F.B.I.'s investigation was the fact that there are no Federal laws prohibiting the aiding and abetting of terrorist or presumed terrorist activities outside the United States. There was yet another factor that obviously inhibited the initial investigation and made the Wilson-Terpil case seem less urgent; this was the political assassination in September 1976 of Orlando Letelier, the former Chilean Ambassador to the United States. Solving Letelier's murder, which took place in downtown Washington, became a high priority of the United States Attorney's office in Washington, draining off manpower and the emotional energy of the staff.

The tension began to build for Mulcahy. He seemed to be unable to get anyone in the Federal Government to share his concern about the vital importance of rapidly stopping the flow of timers and explosives to Libya. Mulcahy knew that assassination weapons were being made in Libya by late 1976; there could be blood on his — and America's — hands before long. Wilson and Terpil had responded to Mulcahy's accusations by hiring prominent defense attorneys and depicting Mulcahy as an alcoholic Vietnam veteran for whom they had showed compassion by giving him a job — only to learn that he was unstable and irrational.

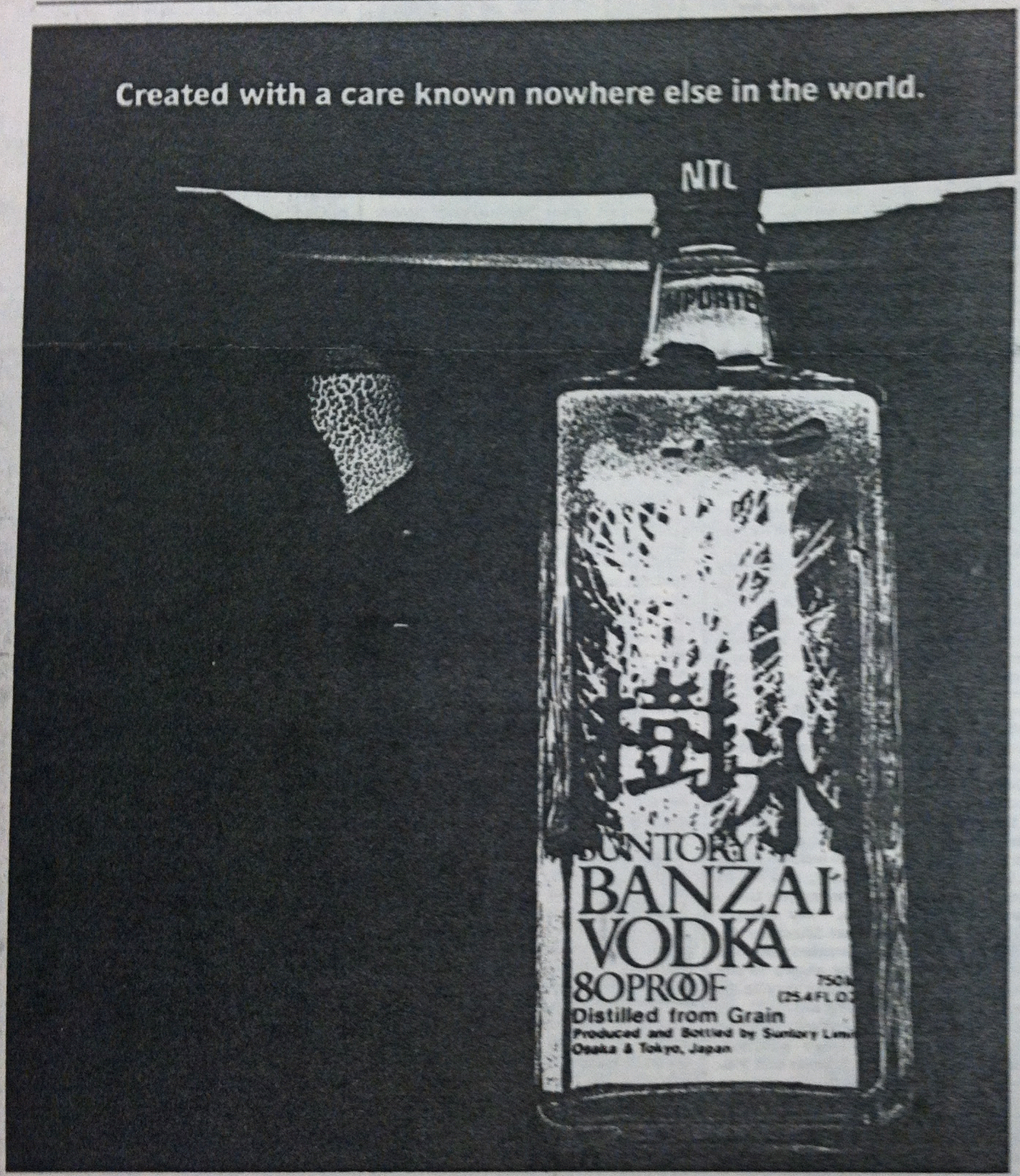
In April 1977, a report in The Washington Post on the Justice Department's pending investigation of Wilson's ties to Libya brought the matter to the attention of Stansfield Turner, the newly apppointed C.I.A. director. Turner moved to take personal charge of an inquiry into the Wilson operations and quickly learned of Mulcahy's charges. The C.I.A. director then called in Pat Loomis and Bill Weisenburger, questioned them and fired them. He also ordered a shake-up in the C.I.A.'s clandestine service, replacing Ted Shackley and his immediate superior, William Wells. "They were both nice guys," Turner says, "but not right for the job." He will not elaborate. The C.I.A. director further had a directive posted in the agency's headquarters and sent to every office abroad warning that no employee was to associate with Ed Wilson.

What Turner did not do was call in Kevin Mulcahy. If he had, he might have learned the extent of Wilson's contacts in Libya and that Wilson's access inside the C.I.A. transcended Loomis and Weisenburger. Turner also might have learned that the clandestine-operations division had been warned that Wilson was attempting to arrange a political assassination on behalf of Qaddafi, as the Cubans had told the C.I.A. control officers. Moreover, no one in the agency seems to have bothered to inform Turner of John Harper's account of the weapons laboratory and training programs in Libya undertaken by Wilson and Terpil.

The failure of the lower-level officials of the C.I.A. to report fully to Stansfield Turner does not mean that Wilson's activities were approved of or endorsed in any way, but it does reveal an astonishing and not fully understood *modus vivendi* of the intelligence business: The primary loyalty of the men in the clandestine service was to Ed Wilson, their former colleague and associate and not to the new Director of Central Intelligence, who was viewed as an outsider who could not understand the mentality of an operative in the field. Kevin Mulcahy had violated the code.

Shipments of explosives for use in terror weapons continued to flow into Libya, and a second generation of timers — far more sophisticated than the first group shipped in 1976 —

Created with a care known nowhere else in the world.



The Samurai sword was made from tama-hagane, an extremely pure steel refined from iron sand. It was painstakingly forged, cut and doubled 15 times, resulting in over 30,000 sandwiched layers. The final forging was sheathed in various thicknesses of clay so it cooled at various rates when quenched, fixing the blade's unique qualities—a soft core, less apt to break, and a hard razor edge capable of cutting through armor of steel. In short, a perfect balance of contradictory qualities.

Banzai Imported Vodka, through exquisite care in its creation, has also achieved a perfect balance worthy of your attention. Crystal pure. Serenely smooth. Supremely rewarding. Like the blade of tama-hagane, it was created with a care known nowhere else in the world.

Banzai Imported Vodka.

began arriving in Tripoli. Ed Wilson, with his charm and his C.I.A. expertise, had struck up a warm personal friendship with Qaddafi and he emerged by the end of 1977 as the man in charge. Frank Terpil became disenchanted with his reduced role — and the reduced personal profits — and began spending less time in Libya. Terpil eventually moved on to Uganda, where he received a $3.2 million contract to provide arms, explosives and torture devices, among other things, to the regime of Idi Amin.

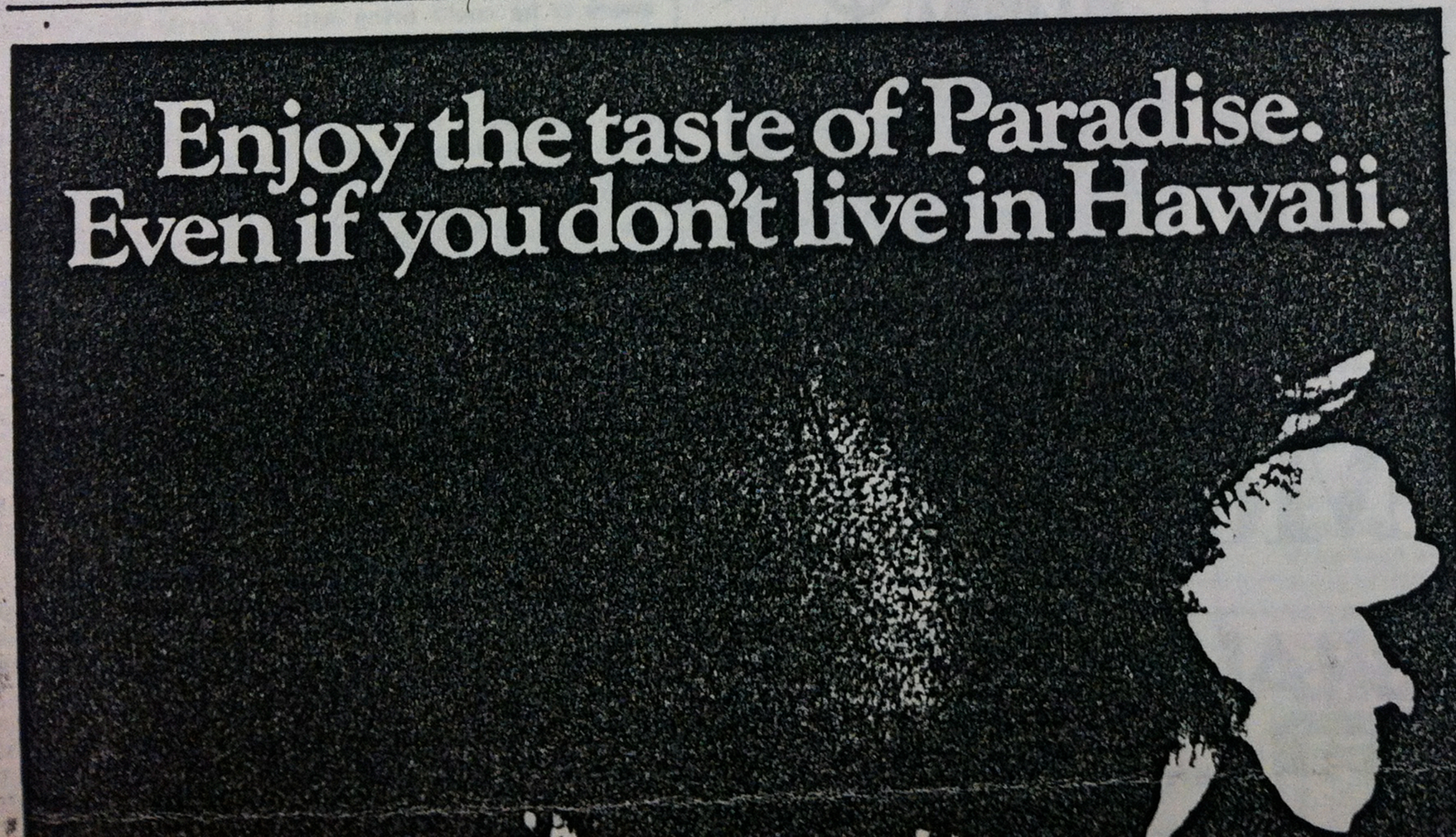
Wilson's contacts with Jerome S. Brower, a California explosives manufacturer, intensified during this period and Brower — who had supplied the first shipment of explosives to Libya in the summer of 1976 — began recruiting bomb experts for the Wilson operations. Federal authorities learned later that two of the experts recruited by Brower — Robert E. Swallow and Dennis J. Wilson (no relation to [redacted]son) — were civilian Navy employees at the China Lake Naval Weapons Center in the Mojave Desert in California, where some of the Navy's and C.I.A.'s most sensitive ordnance research is conducted. Swallow and Dennis Wilson, Federal authorities say, spent their annual leave in 1977 on site at Ed Wilson's training camp in Tripoli. Both men returned to their Government jobs without informing anyone about what was going on in Libya. The men are now under investigation by the United States Attorney's office.

Not everyone kept his peace. One of the Green Berets reported to military intelligence that he had been approached by Loomis. In another case, as later told to a Federal grand jury, a former Green Beret who had worked in the Wilson-Terpil operations in Libya was extensively debriefed by military intelligence upon his return and referred to the F.B.I. for further questioning. None of these reports seemed to make any difference: The F.B.I. investigation continued at a slow pace; Wilson and Terpil continued their terrorist-supply operations, and Mulcahy continued to hide and to worry every time he started his car.

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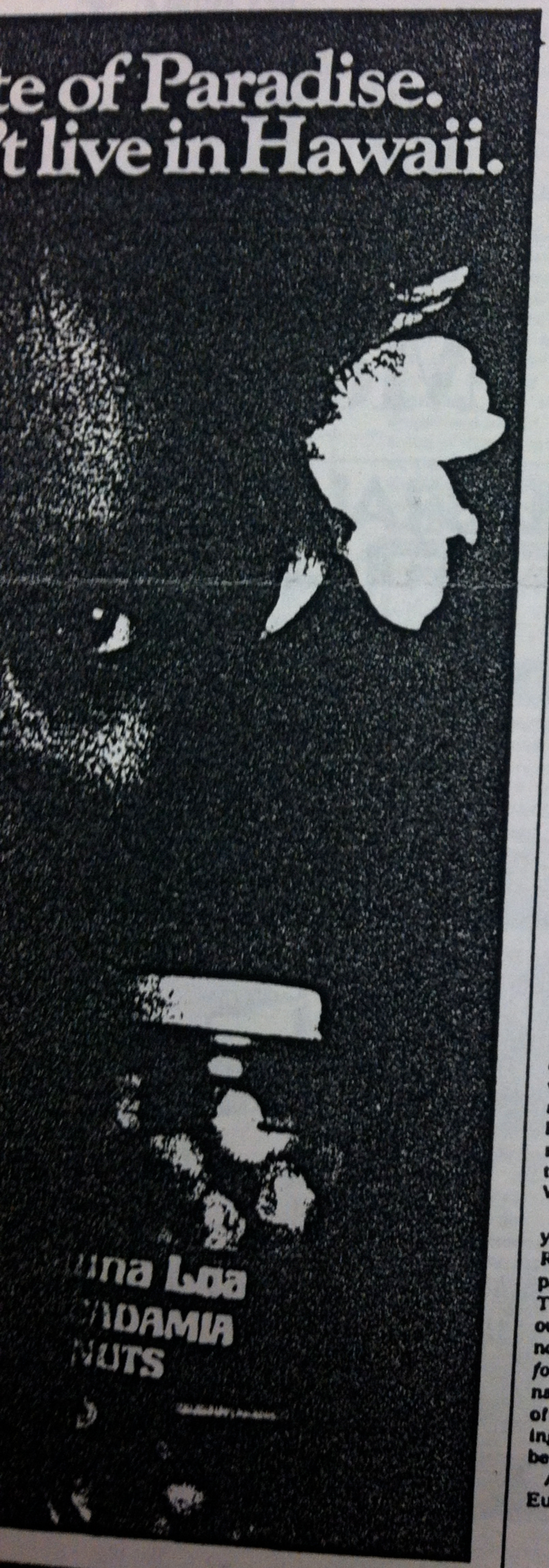
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...pment of explosives

Naval Weapons Center in the Mojave Desert in California, where some of



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Not everyone kept his peace. One of the Green Berets reported to military intelligence that he had been approached by Loomis. In another case, as later told to a Federal grand jury, a former Green Beret who had worked in the Wilson-Terpil operations in Libya was extensively debriefed by military intelligence upon his return and referred to the F.B.I. for further questioning. None of these reports seemed to make any difference: The F.B.I. investigation continued at a slow pace; Wilson and Terpil continued their terrorist-supply operations, and Mulcahy continued to hide and to worry every time he started his car.

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In December 1977, after more than a year of inquiry, the Foreign Agents Registration Office of the Justice Department concluded that Wilson and Terpil, despite conducting "nefarious" business activities, had violated no American laws. They wrote *pro forma* notes, known as letters of declination, to the United States Attorney's offices in Alexandria, Va., and Washington, recommending that the case be dropped.

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began arriving in Tripoli. Ed Wilson, with his charm and his C.I.A. expertise, had struck up a warm personal friendship with Qaddafi and he emerged by the end of 1977 as the man in charge. Frank Terpil became disenchanted with his reduced role — and the reduced personal profits — and began spending less time in Libya. Terpil eventually moved on to Uganda, where he received a $3.2 million contract to provide arms, explosives and torture devices, among other things, to the regime of Idi Amin.

Wilson's contacts with Jerome S. Brower, a California explosives manufacturer, intensified during this period and Brower — who had supplied the first shipment of explosives to Libya in the summer of 1976 — began recruiting bomb experts for the Wilson operations. Federal authorities learned later that two of the experts recruited by Brower — Robert E. Swallow and Dennis J. Wilson (no relation to [redacted]son) — were civilian Navy employees at the China Lake Naval Weapons Center in the Mojave Desert in California, where some of the Navy's and C.I.A.'s most sensitive ordnance research is conducted. Swallow and Dennis Wilson, Federal authorities say, spent their annual leave in 1977 on site at Ed Wilson's training camp in Tripoli. Both men returned to their Government jobs without informing anyone about what was going on in Libya. The men are now under investigation by the United States Attorney's office.

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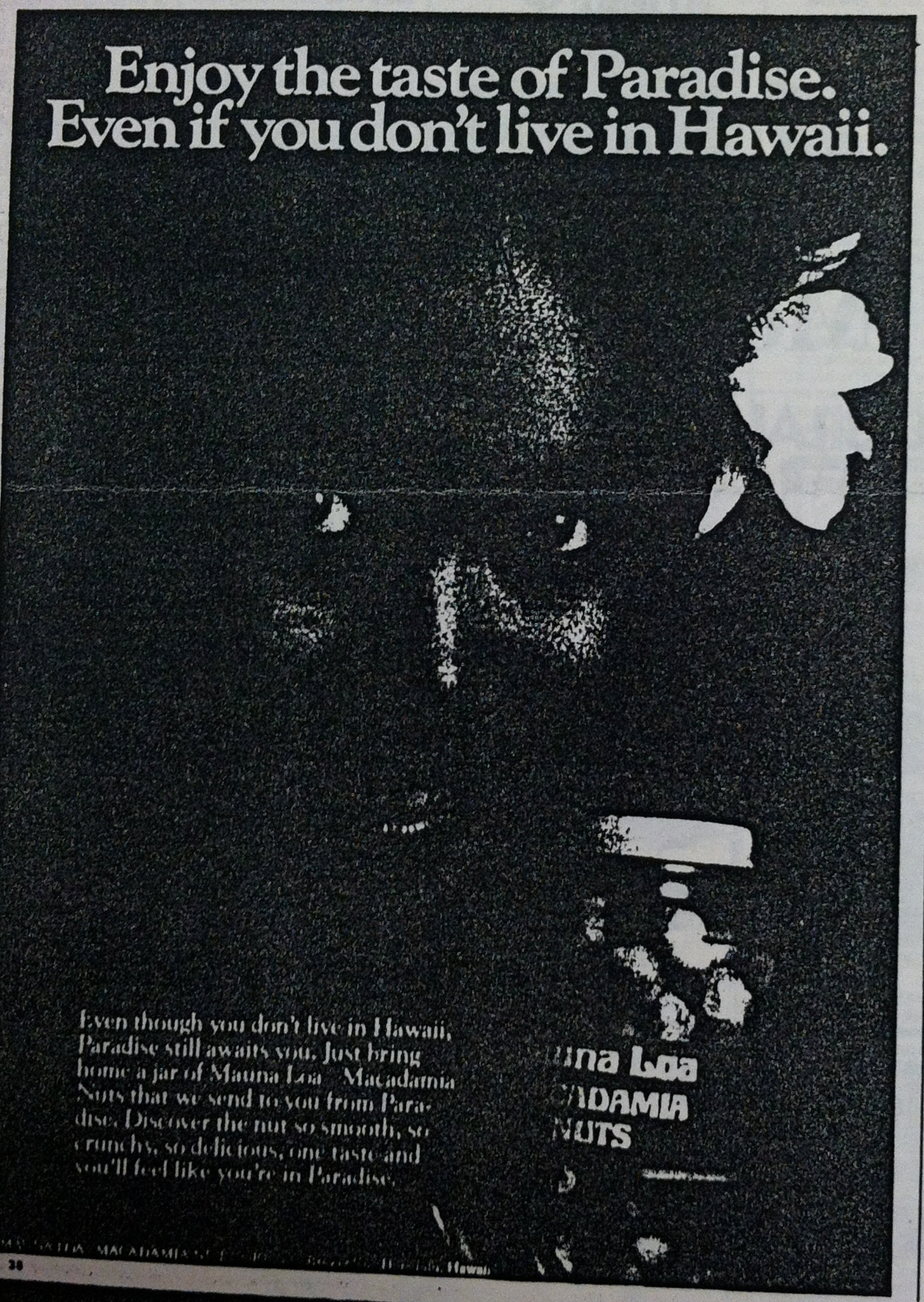
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They also said that Mulcahy had little to fear in refusing immunity. "Kevin wasn't a criminal," one Federal official said. "He was just doing what his employer wanted." Mulcahy had committed technical violations of the Munitions Control Act, the official added, but the United States Attorney's office viewed them as not prosecutable. "What we had on Kevin showed that he had not done anything to bother anybody," one official said.

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Federal officials subsequently explained that the delay in obtaining indictments did not reflect adversely on Mulcahy or his testimony, but resulted from a basic gap in the law, which does not specifically make it a crime to use American equipment and know-how to further terrorism overseas — as long as no overt acts are done in the United States. Wilson and Terpil were careful, as much as possible, to strike their business deals out of the country.

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Propper got an inspiration. He had discovered in prosecuting an earlier case that any crime in the Maryland code not in conflict with the District of Columbia code could be charged in Washington, since the District of Columbia had adopted all of its criminal law from Maryland in 1801. Using that precedent, Propper was able to investigate Wilson and Terpil on solicitation charges in the District of Columbia. Another provision in the Washington code also enabled Propper to make the solicitation charge a Federal violation. So the United States Attorney's office had its jurisdiction after all, but, once again, there were problems. The Letelier case was going to trial and Propper and a chief aide, E. Lawrence Barcella Jr., were unable to handle both cases at the same time.

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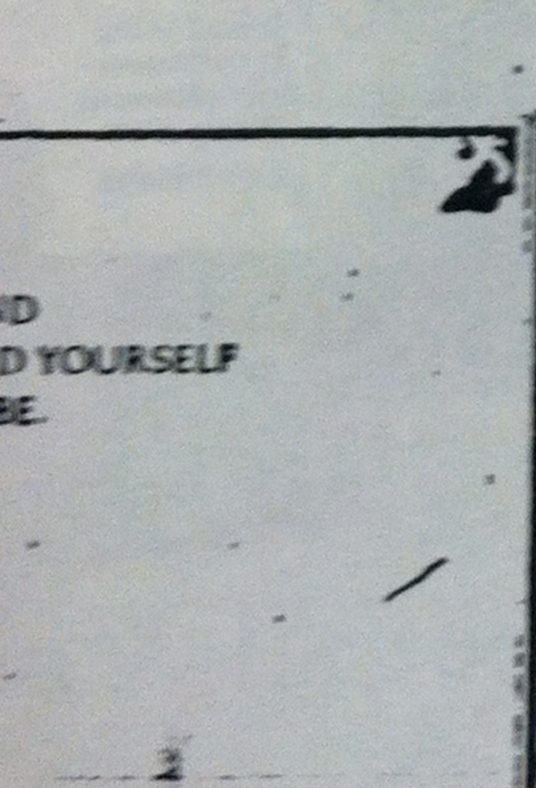
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cide whether they could answer the question. It was a one-way street and I felt I couldn't help them anymore without some kind of dialogue, without their willingness to tell me what they wanted and what they didn't know."

Officially, the F.B.I. does not comment on pending investigations, but one agent who did spend much time on the case disputed Mulcahy's assessment in an interview. "Kevin is very impatient," the agent said. "He thinks he can give us some facts one day and we should begin making arrests on the next. He doesn't understand the complexity of the case and the fact that no one is exactly cooperating with us. It's been a long drawn-out affair, trying to get some of these witnesses to give us a straight line. This is not a very easy case to make. We had to start from the beginning, and I think it's very unfair to criticize us or the United States Attorney's office. We've been working hard on this for a long time."

Other Federal officials, however, echoed Mulcahy in raising questions about the Justice Department's decision not to give the case higher priority, which would have meant the authorization of more F.B.I. agents for field work. Even now, only one agent in Washington is assigned to monitor developments in the case, and he was pulled off that for months early this year to handle background investigations of pending Reagan Administration appointments.

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A major development, in Mulcahy's view, came in mid-1978, when the Bureau of Alcohol, Tobacco and Firearms assigned a new two-man team to the case. Richard Wadsworth and Richard Pedersen decided early in their investigation that Mulcahy was telling the truth. Now, for the first time, Mulcahy believed that he had someone inside the investigation with whom he could communicate. Mulcahy agreed to cooperate in an undercover investigation with Pedersen and Wadsworth, aimed at gathering first-hand evidence of Wilson's illegal weapons dealings in Washington — the kind of specific evidence that seemed essential to a prosecution. The operation failed after five months, but the B.A.T.F. agents developed a close relationship with Mulcahy and learned vast amounts about the way Wilson operated, information and insight that later helped them crack the case.

Mulcahy continued to live in low profile, routinely changing his appearance. His fears were compounded late one night when he saw a truck owned by one of Wilson's trusted associates parked across the street from his home. Mulcahy fled the scene and stayed away from the area for two days. "It was over three years and I wanted out again," he said, "and so I disappeared — just went to Arizona under another name and worked in the construction business."

Meanwhile, Wilson and Terpil began spending some of the money they were earning. By the end of 1978, they had purchased more than $4 million of real estate in the United States and England, paying in cash. They spent another million dollars for a hotel in Crewe, England, and a town house in London's posh Lancaster Mews. Federal authorities believed the hotel was to serve as a stop on an underground railway for terrorists. By that time, Qaddafi had set up "hit teams" that began to terrorize the Libyan exile community in Europe. At least 10 of Qaddafi's political enemies were assassinated by the gunmen, who later would have access to the hotel to hide from authorities.

Another factor in the investigation of Wilson was his continued high-level political lobbying in the United States, which revolved around the social use of his estate in Virginia. By the mid-1970's, Wilson was regularly throwing parties and offering hunting excursions at the estate, where senior members of the Carter Administration mingled with influential politicians and members of the intelligence community. Ted Shackley was also one of the guests. "The name of the game is legitimacy," one Federal official said. "Ed Wilson brings three guys from the C.I.A. and Carter's man brings two senators. Everybody's legitimizing everybody else."

"Every place we went," the official added, "Ed Wilson popped up — not on the surface, but if you looked far enough, it led to Wilson."

In early June 1979, the United States Attorney's office told Wadsworth and Pedersen of the B.A.T.F. that there was not enough evidence to charge Wilson and Terpil with illegally exporting explosives to Libya. The Government had no evidence that any explosives had in fact been shipped to Libya without the proper licenses and without accurate labeling and bills of lading.

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Protest Mov

which are required to insure proper storage of the materials during shipment. All of the witnesses interviewed by the F.B.I. had stuck to the cover story in connection with the shipments to Libya; as far as they were concerned, all that Inter-Technology had undertaken was a contract with the Libyan Government to manufacture timers for use in mine-clearing operations. No explosives had been shipped, the witnesses claimed. Rick Wadsworth decided to make one final effort to find evidence of the shipment before bowing out of the case. He spent most of the Memorial Day weekend in the Federal courthouse in downtown Washington reviewing all of the documents and testimony. He found a work sheet buried in the files that had been turned over by Mulcahy to the F.B.I. in 1976. The work sheet with Brower's handwriting on it stemmed from the meeting in August 1976 at which the California manufacturer agreed to ship RDX (cyclotrimethylene trinitramine) and the other explosives, suspended in 55-gallon drums, to Libya.

At this point, Eugene Propper was in the process of resigning from the United States Attorney's office to practice law in Washington and write a book on the Letelier case; Lawrence Barcella suddenly found himself in charge of the Wilson-Terpil case. Barcella agreed, after being shown the work sheet, to permit Wadsworth and Pedersen to fly to California and interview Brower once again. Wadsworth and Pedersen had discovered that the work sheet, on which Brower had listed the type and weights of the explosives ordered by Wilson and Terpil, precisely matched the bills of lading for a shipment of explosives that week from Brower's factory. The Government now had its evidence.

Over the next year, however, Brower stubbornly continued to insist that he knew nothing about illegal activity in the United States. In two appearances before the Federal grand jury in Washington, he denied that the conspiracy meeting in August 1976, as described by Mulcahy, ever took place. But the evidence, in his own handwriting, proved to be overwhelming and Brower eventually agreed to cooperate with the prosecutors in return for dismissal of all but one of the charges against him — conspiring to ship explosives with the intent to use unlawfully. When he did testify in late 1980, Brower acknowledged that Mulcahy was right;

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that there had been a key meeting in August which resulted in the initial shipment of the timers and explosives to Libya. He is now serving a four-month prison sentence.

Mulcahy describes Pedersen and Wadsworth as the heroes in the case that no one in the Federal Government seemed to want: "They worked on their own time, in their own cars, because they knew there was truth in what I was telling them. What they didn't have was proof. . . . They were constantly being told to close the investigation, but they told their superiors that if they wanted it closed, they could sign the file shut themselves."

Mulcahy says now he believes that the laggard pace of the prosecution was not due to a Government cover-up but rather — more frustrating — was the result of bureaucratic inefficiency, rivalries, petty jealousies and what he saw as "a simple lack of commitment" in the United States Attorney's office. He says, too, that the F.B.I., the Bureau of Alcohol, Tobacco and Firearms and the Customs Service were reluctant to share information with one another at a time when Wilson and Terpil were continuing to expand their involvement in Libya: "My most vital concern was that Wilson's and Terpil's activities eventually would result in a lot of deaths in the United States. Only then would the full resources of the United States Attorney's office be committed."

The revolving door in the United States courthouse was still another complication. Carol Bruce was assigned to the case in 1979. It was her first assignment to a major crime, and she began, as her predecessors had, by reviewing the files and spending hours with Mulcahy. He was encouraged once again: "She was like a breath of fresh air. She understood the case and grasped its importance." Coming to it late had an advantage: Carol Bruce was able to add objectivity to what had evolved into an emotional dispute and series of competitions among the investigative agencies. "She came in with a chain saw," Mulcahy says, "and got things on track again." In late 1979, Carol Bruce and Mulcahy had lunch, and the young prosecutor explained to Mulcahy that he had to continue to cooperate, and that he had to testify publicly against Wilson and Terpil at a trial. If he continued to insist that he would not do so, she warned, he could be indicted himself for his technical violations of the law as president of Inter-Technology.

The grand jury was convened and witnesses again started to come in for questioning. Seymour Glanzer, Wilson's attorney, made clear that he would involve the C.I.A. as a major component in his client's defense if the Government chose to indict Wilson. At one point, Federal officials said, Glanzer seemed to suggest that he would offer the prosecutors valuable information about the Letelier case in return for the dropping of charges against Wilson. The prosecutors also were offered a chance to interrogate Wilson in Europe, but they refused to do so and insisted that any plea bargaining would have to include a jail term. Glanzer, asked for his view of the matter, said, "I can't comment on the Federal prosecutors' thought processes, and I'm not commenting on mine."

In late December 1979, Frank Terpil and an accomplice were arrested in New York in the culmination of a secret operation in which two New York City undercover detectives posed as Latin American revolutionaries anxious to purchase any kind of weapons. The investigation, led by the office of Robert M. Morgenthau, the Manhattan District Attorney, accumulated hours of taped conversations involving Terpil, who was trying to impress, as usual. In one tape, Terpil bragged of his ability to sell any weapons, including missiles, and told of his team of former Green Beret experts who were willing to travel anywhere to train terrorists. By then, Wilson's and Terpil's team had been at work for more than three years in Libya. The New York evidence was shared with Washington, and was considered es-

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The revolving door in the United States courthouse was still another complication. Carol Bruce was assigned to the case in 1979. It was her first assignment to a major crime, and she began, as her predecessors had, by reviewing the files and spending hours with Mulcahy. He was encouraged once again: "She was like a breath of fresh air. She understood the case and grasped its importance." Coming to it late had an advantage; Carol Bruce was able to add objectivity to what had evolved into an emotional dispute and series of competitions among the investigative agencies. "She came in with a chain saw," Mulcahy says, "and got things on track again." In late 1979, Carol Bruce and Mulcahy had lunch, and the young prosecutor explained to Mulcahy that he had to continue to cooperate, and that he had to testify publicly against Wilson and Terpil at a trial. If he continued to insist that he would not do so, she warned, he could be indicted himself for his technical violations of the law as president of Inter-Technology.

The grand jury was convened and witnesses again started to come in for questioning. Seymour Glanzer, Wilson's attorney, made clear that he would involve the C.I.A. as a major component in his client's defense if the Government chose to indict Wilson. At one point, Federal officials said, Glanzer seemed to suggest that he would offer the prosecutors valuable information about the Letelier case in return for the dropping of charges against Wilson. The prosecutors also were offered a chance to interrogate Wilson in Europe, but they refused to do so and insisted that any plea bargaining would have to include a jail term. Glanzer, asked for his view of the matter, said, "I can't comment on the Federal prosecutors' thought processes, and I'm not commenting on mine."

In late December 1979, Frank Terpil and an accomplice were arrested in New York in the culmination of a secret operation in which two New York City undercover detectives posed as Latin American revolutionaries anxious to purchase any kind of weapons. The investigation, led by the office of Robert M. Morgenthau, the Manhattan District Attorney, accumulated hours of taped conversations involving Terpil, who was trying to impress, as usual. In one tape, Terpil bragged of his ability to sell any weapons, including missiles, and told of his team of former Green Beret experts who were willing to travel anywhere to train terrorists. By then, Wilson's and Terpil's team had been at work for more than three years in Libya. The New York evidence was shared with Washington, and was considered es-

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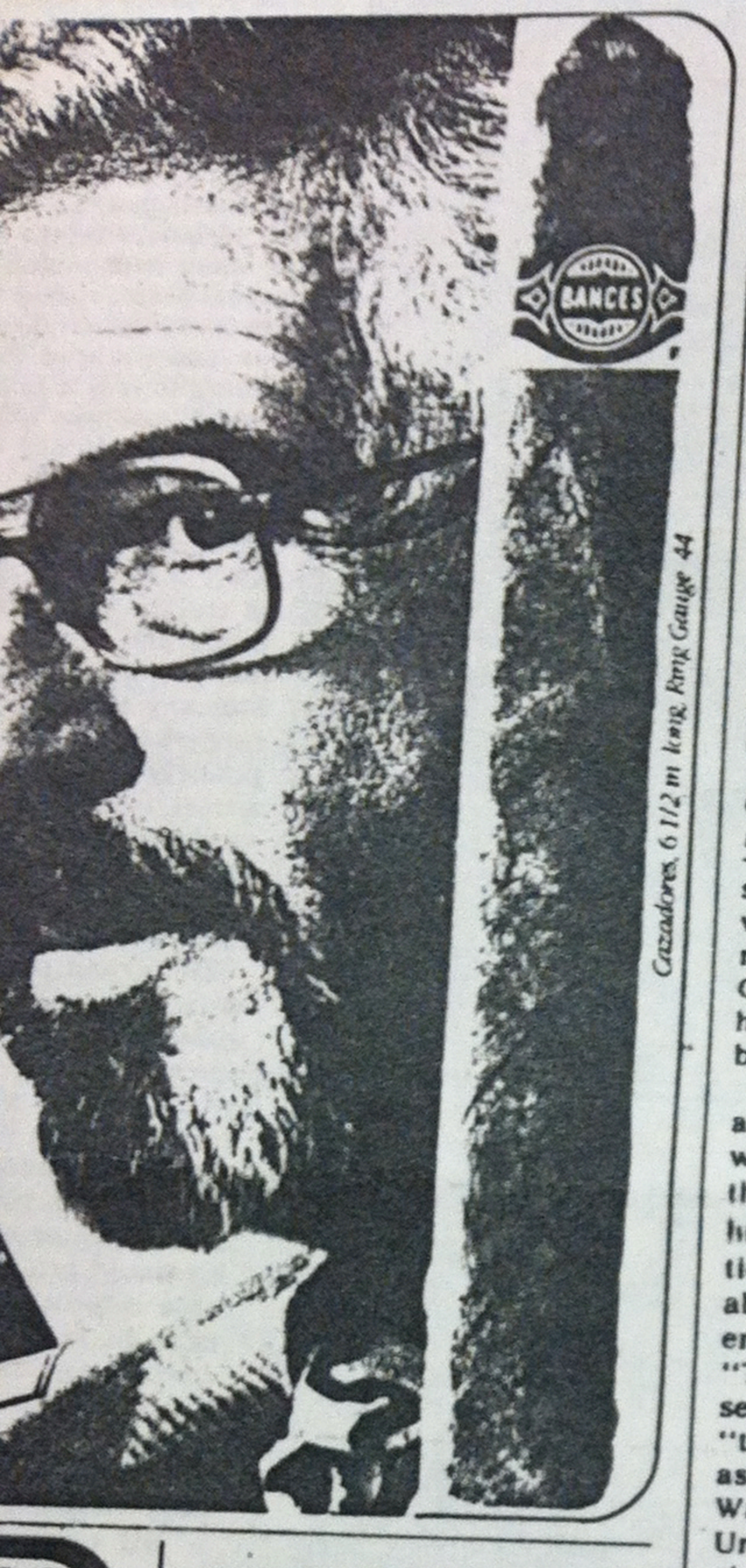
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Citing Libyan provocations, including support for international terrorism, Washington ordered the Libyan mission closed last month.

sential — although much of what Terpil revealed had already been provided to the Government by Mulcahy. "I heard Frank was singing like a bird," Mulcahy says.

Terpil was charged shortly after his arrest with illegal weapons possession. Some of the New York authorities who handled the Terpil investigation privately raised questions about the slow pace of the Federal inquiry in Washington. "This is one time," said one senior official in New York, "that I'd want to be appointed as a special prosecutor [in Washington] or an assistant United States Attorney for about six months." His obvious point was that the Washington case against Wilson and Terpil should have been handled much more expeditiously. The New York official acknowledged, however, that the case in Washington had been severely hampered by a "lack of help from the investigative agencies."

In April 1980, four months after the arrests in New York, Wilson, Terpil and Brower finally were indicted by a Federal grand jury in Washington. Terpil, who had been released on bond after pleading not guilty in the New York case, was arrested a few days later by Wadsworth and Pedersen at the Secret Service training academy in suburban Maryland. At the time, characteristically, Terpil was attending an industrial-security show, looking for equipment that he could sell overseas. The Federal indictment centered around conspiracy charges stemming from the August 1976 meeting in the office of Inter-Technology, as depicted in Mulcahy's grand-jury testimony. The indictment also accused Wilson and Terpil of conspiring to assassinate the Libyan dissident. Mulcahy's relief over the indictments was short-lived, however, because a Federal magistrate subsequently reduced Terpil's bond from $500,000 to $75,000, of which only $15,000 had to be put up in cash. "To me, it was the most absurd thing in the world," Mulcahy recalls. "I knew he was going to split — I knew him, his life style, the fact that he had at least six different passports." Mulcahy also knew that Wilson and Terpil had been quietly disguising their ownership of their business ventures and properties in the United States to avoid Federal seizure. "I took the reduced bond as a reflection of the importance the Government attached to this case — a $15,000 cash bond when millions of dollars and the resources of the Libyan Government were at his disposal."

On Sept. 3, 1980, more than four months after his indictment in Washington and the day before he was to begin trial on the New York charges, Terpil fled to Europe.

With Terpil jumping bond, and Wilson choosing to remain abroad as a fugitive, Mulcahy concluded that it was time to get out. He had accomplished very little by his four years of cooperation. So he moved to the Middle West.

There were questions that still disturbed him. "Why didn't the C.I.A. cooperate fully and aggressively with the United States Attorney's office? Why didn't the Government ask the agency for its assistance in locating and apprehending Wilson and Terpil? Why wasn't a combined Federal task force set up to coordinate the investigation? Why wasn't a special prosecutor used? Why did the F.B.I. give this case such low priority? Where are we going to find Qaddafi's bombs in the future? What does it take — short of a

big body count — to get the attention of the Congress and the White House to a potentially lethal situation? What is the responsibility of the United States to the world in a case like this?"

Mulcahy returned to Washington late last year ready to end his own involvement with the prosecutors. "I had been forced to live a lie," he says. "I had often lived under an assumed name, with a car and a business registered in other people's names." By that time, Mulcahy had set up a successful construction business, specializing in historical restorations. He began research for a book on his experiences, but that did not solve what he viewed as his immediate problem: "How to exorcise my entire involvement with the case." What he learned in early 1981 convinced him that it was time to take a step he had not contemplated before — going to the news media. A former C.I.A. colleague — Mulcahy will not say who — told him that Wilson and Jerome Brower had conspired in late 1977 to ship 40,000 pounds of C4 *plastique* to Libya, the largest illegal shipment of explosives known to Federal investigators. Mulcahy later confirmed that what he had heard was true — the shipments had been made from a Texas airport in the fall of 1977, aboard a chartered DC-8 cargo jet. An employee of one of Wilson's firms, Around World Shipping and Chartering, of Houston, Tex., was known to have been involved.

Brower and his California company had made a profit of $1 million on the C4 shipment alone, Mulcahy was told. "What I felt was absolute horror," Mulcahy recalls. "I was horrified that they could have shipped explosives in that quantity, involving as many people as they did — lawyers from two different states, commercial airlines, commercial freight forwarding companies — and not have been detected. There had to be a cast of characters of more than 10 people, including pilots and the companies that sold the C4. When I learned of it, the shipment was more than three years old and the F.B.I. and the United States Attorney's office were fully aware of it. Yet no one had been charged, or even called before a grand jury. That was the final factor in my decision to go public. The only option left to me was the press."

In interviews a few weeks ago, prosecutors at the United States Attorney's office declared that the case still was open and that more indictments would be issued before the end of summer, expanding the ranks of those known to have been involved in the Wilson-Terpil operations. Some former C.I.A. officials, among them Ted Shackley, are known to have been talking with the prosecutors, and apparently have been shedding new light on Wilson's connection — or lack of connection — to the agency. Meanwhile, Frank Terpil was tried in absentia by New York City authorities on 10 conspiracy and weapons charges, found guilty and sentenced, June 8, to 17 2/3 to 53 years in prison, the maximum.

Mulcahy believes the Government is now focusing its attention on the lesser lights who flitted about the Wilson-Terpil operations. He knows that Wilson operated in Washington so freely because of his ability to reach into the top layer of Government and Congress; because of his connections in a city where connections are so important. Mulcahy also [illegible] that Wilson and Terpil are not the only former C.I.A. and military men selling information and materiel to the highest bidder. Most important, Mulcahy believes that the United States Attorney's office in Washington was guilty of what he calls "Government complicity by omission" by not demanding that Federal agencies, at the very least, cut off the flow of men and terrorist equipment to Libya.

Mulcahy remains a believer: He believes in the value and importance of the C.I.A. and the due process of the American judicial system. "The system can work," he says, "but it can't work unless the people who are the system put it to work." If he had it to do again, he says, "I know I wouldn't have approached any Government agencies. I would have taken every document I had to the White House or hand-delivered them to the most responsible journalist I could find. I'd never go to a Government agency again — because of the way I was treated, the lack of commitment and the half-truths that I've heard for the last five years."

Edwin Wilson could not be reached for comment. Someone who answered the telephone at his office in Tripoli declined to give his name and hung up when asked to take a message.

Despite the formal disavowal by the C.I.A., Wilson remains an outsider who knows a great deal about secret American intelligence activities. Last August, four months after his indictment, he was seized by officials in Malta and held in custody for more than three days. Somehow, before he could be turned over to American authorities for extradition to Washington, he managed to flee, flying from Malta to Heathrow Airport near London on his revoked passport. Federal officials now suspect a $10,000 payoff through a laundered bank account was made in Malta on Wilson's behalf. There are those in Washington who believe that, even today, there are some elements in the C.I.A. who protected Wilson in Malta and will continue to shield him. ■

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